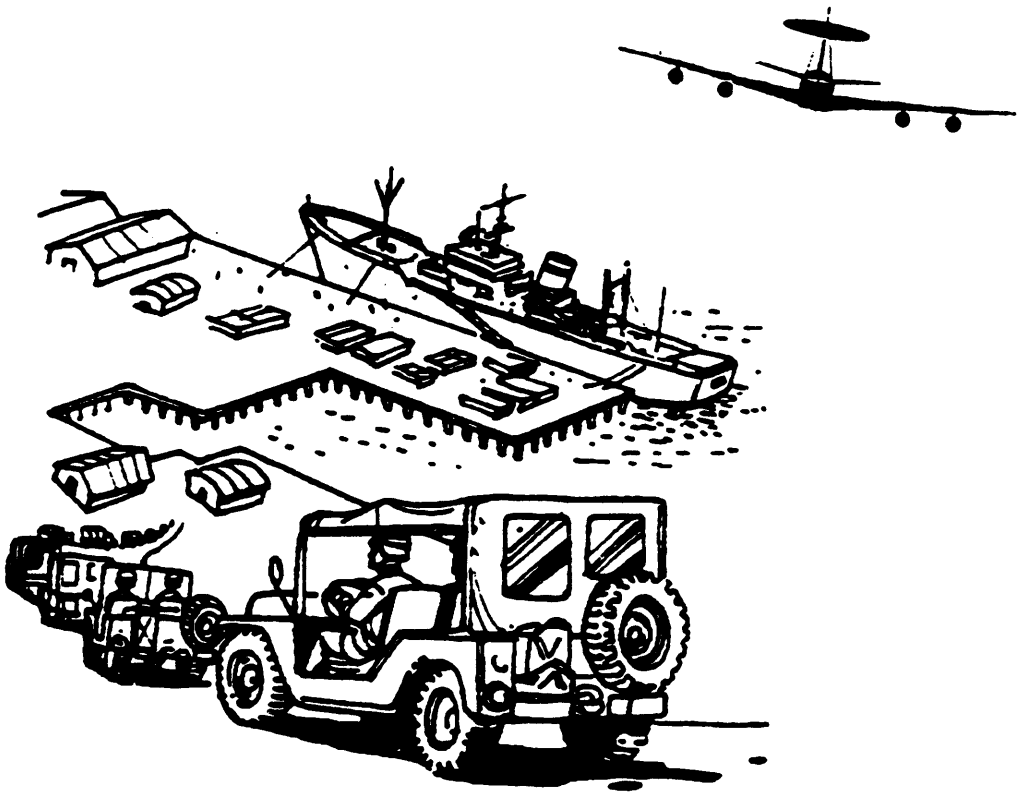
INITIAL REPORT:

THE IMPACT OF REDUCTIONS IN DEFENSE SPENDING ON THE KENTUCKY ECONOMY



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Legislative Research Commission

December, 1990

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INITIAL REPORT:

THE IMPACT OF REDUCTIONS IN DEFENSE SPENDING ON THE KENTUCKY ECONOMY

Prepared by
Mary Yaeger and Donna Cantrell

Research Report No. 252

Legislative Research Commission

Frankfort, Kentucky

December, 1990

This report has been prepared by the Legislative Research Commission and printed with state funds.

FOREWORD

The 1990 Regular Session of the Kentucky General Assembly passed Senate Concurrent Resolution No. 74. This study resolution requested the Committee on Economic Development and Tourism to study the potential impact of reductions in defense spending on the economy of Kentucky.

This is an initial report of findings based on military activity and estimations of future realignment and closure schedules as of December 30, 1990. Needless to say, Operation Desert Shield and Operation Desert Storm have had and may continue to have an impact on projected military realignment, closure and procurement activities. The resolution requires a final report to be submitted to the Legislative Research Commission on or before September 30, 1991. The final report will be an update based on actual and planned changes in the Department of Defense spending, reflecting the best available data at that time.

This report is the result of time and effort by the Gordon F. Mullins, staff administrator for the Interim Joint Committee on Economic Development and Tourism, project staff Mary Yaeger and Donna Cantrell, and Jessie Sue Simpson, committee secretary.

Vic Hellard, Jr.
Director

Frankfort, Kentucky
December, 1990

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TRANSMITTAL MEMORANDUM

TO: The Legislative Research Commission

FROM: Senator Bill Quinlan, Chair
Interim Joint Committee on Economic Development and Tourism

SUBJECT: Initial Study Findings of the Impacts of Reductions in Defense Spending on the Kentucky Economy
(SCR #74)

DATE: December 28, 1990

Attached is the initial report of a study directed by the 1990 Regular Session of the Kentucky General Assembly. Senate Concurrent Resolution No. 74 requested the Committee on Economic Development and Tourism to study the potential impact of reductions in defense spending on the economy of Kentucky. The resolution required a preliminary or initial report of findings to the Legislative Research Commission on or before December 30, 1990. A final report should be submitted to the Legislative Research Commission on or before September 30, 1991.

The study includes data from a public hearing during a Committee meeting on defense cutbacks. It also contains state economic impact estimates on three Kentucky military installations which are in the process of realignment or at risk of closure. This economic analysis was done using the LRC Kentucky Regional Economic Model (REMI). Additional inquiries and interviews were conducted with personnel at the affected military installations, government agencies, and other entities which are involved with the economic consequences of Department of Defense cutbacks.

Should the Department of Defense complete the realignment and closure proposals as outlined in this study, the realignment at Fort Knox is estimated to cause Kentucky direct employment losses of 3,014, indirect losses of 487, and personal income losses of $80.7 million.

The Lexington-Blue Grass Army Depot closure is estimated to cause direct employment losses of 1,647, indirect losses of 756, and personal income losses of $52.8 million. The Naval Ordnance Station, Louisville closure is estimated to cause direct employment losses of 2,510; indirect losses of 2,242, and personal income losses of $100.4 million.

Operation Desert Shield has temporarily affected the plan to downsize the military. Military personnel can not be discharged or retired at this time. Fort Knox continues its realignment schedule, but some military personnel have been reassigned and transferred to the Persian Gulf, while families remain in the Fort Knox area. The Naval Ordnance Station, Louisville, has actually expanded its operations because of the demands of Operation Desert Shield and reports are optimistic that it may be saved from the closure "hit list."

Both Fort Knox and Lexington-Blue Grass Depot have helped civilian personnel to transfer to other military or federal jobs, thereby avoiding lay-offs. A Department of Defense hiring freeze has also allowed civilian employees to transfer into positions that can not be filled.

By the end of September, 1991, additional information on the realignment and closure process should be completed. The consequences of Operation Desert Shield should also be apparent as it affects Kentucky's military installations. Additionally, information about Defense procurement patterns in Kentucky should be known. Recommendations regarding the role the Kentucky legislature can play in ameliorating the negative consequences of these major cutbacks should also be available.

On behalf of the Interim Joint Committee on Economic Development and Tourism, I wish to take this opportunity to compliment Gordon Mullins, Committee Staff Administrator, and the project staff consisting of Mary Yaeger, Donna Cantrell and Jessie Sue Simpson, committee secretary, for a job well done. If you have any questions regarding this report, please contact our staff at 502/564-8100, Extension 519.

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EXECUTIVE SUMMARY

Introduction

The Base Closure Act of 1988 mandated a comprehensive reorganization of Department of Defense (DoD) operations. DoD facilities across the nation were targeted for either closure or significant changes in activities. Two Kentucky installations were included on this list; the U. S. Army Armor Center at Fort Knox and the Lexington-Blue Grass Army Depot. The Jefferson Proving Ground, Madison, Indiana, was also marked for closure.

On January 29, 1990, Department of Defense Secretary Dick Cheney released a second list which identified other installations for realignment or closure. The Naval Ordnance Station, Louisville, and the Army Ammunition Plant of Charlestown, Indiana, are the Kentucky and Indiana bases included on this list. In addition, the 194th Armored Brigade at Fort Knox was identified for downsizing.

The Kentucky legislators were alarmed by the substantial financial losses projected, due to reductions in employment and procurement contracts. During the 1990 Regular Session of the General Assembly two resolutions were passed which addressed this concern. House Resolution No. 112 urged President Bush and Congress not to close the Naval Ordnance Station, Louisville. Senate Concurrent Resolution No. 74 directed the Economic Development and Tourism Committee to study the potential impact of reductions in defense spending on the Kentucky economy.

A 1988 federal procurement data report shows Kentucky ranking thirty-seventh out of the fifty states for federal procurement dollars received. States which have large prime contracts for weapons systems slated for cuts will be most negatively affected by military cuts. Those states are Missouri, Arizona, Washington, Texas, Maryland and California. Kentucky communities surrounding installations will be primarily affected by cutbacks, as Kentucky has no large weapon system production.

While Kentucky's share of DoD employment remained stable over the last twenty years, Kentucky is relatively more dependent on the DoD as a source of employment than the nation as a whole. In 1989, 2.3% of total Kentucky employment was with DoD, compared to the national average of 1.7%.

Economic Impact Spending Reductions at Kentucky Military Installations

The Kentucky economic impacts of the proposed defense realignments were estimated by using the Kentucky Regional Economic Model (REMI). The estimates are based on Kentucky's current economic structure, its relationship to the national economy, and a national economic forecast.

U. S. Army Armor Center & Fort Knox

The realignment of the U. S. Army Armor Center at Fort Knox is scheduled to be fully implemented by 1992. Direct employment losses from the reorganization are estimated at 2,924 military positions and ninety civilian positions, accounting for a total loss of 3,014 jobs. Decreases in local consumption by displaced workers and reductions in purchases by the U. S. Army Armor Center are estimated to result in a loss of 487 jobs in other economic sectors across the state. Approximately 385 of the indirect job losses are estimated to occur in the Fort Knox Primary Impact Area (Bullitt, Hardin, and Meade Counties). These employment losses are expected to result in a reduction of $80.7 million in Kentucky personal income. Of this, approximately $78.4 million will result from reduced economic activity in the Fort Knox Primary Impact Area.

Lexington-Blue Grass Army Depot

There are two Lexington-Blue Grass Army Depot (LBAD) facilities, the Lexington facility and the Richmond facility. The Lexington facility is scheduled for closure in fiscal year 1994 or 1995. The Richmond facility will remain open. Direct employment losses are estimated at 1,617 civilian and 30 military positions. Indirect job losses of 756 jobs are estimated to result from reduced purchases by the Lexington-Blue Grass Army Depot and reduced spending by displaced workers. Approximately 567 of the indirect job losses are estimated to occur in the LBAD Primary Impact Area (Bourbon, Clark, Fayette, and Madison Counties). Losses in economic activity are estimated to result in a $57.4 million reduction in Kentucky personal income. Of this, approximately $52.8 million will be from the Primary Impact Area.

The Naval Ordnance Station, Louisville

The future of the Naval Ordnance Station (NAVORDSTA) in Louisville is uncertain. While this facility was included on the second list of proposed DoD reorganizations, these changes have not yet been approved by Congress. Furthermore, activity at the facility has recently increased, due to the movement of U. S. military forces to Saudi Arabia. In the event that the NAVORDSTA closure is implemented, direct employment losses are estimated at 2,510 positions. Indirect Kentucky employment losses of 2,242 are estimated. Approximately 1,771 indirect employment losses are estimated to occur in the NAVORDSTA Primary Impact Area (Bullitt, Jefferson, Oldham, and Shelby Counties). The employment losses are expected to result in a loss of $100.4 million in Kentucky personal income. Approximately $90.4 million of this is expected to result from a decline in economic activity in the NAVORDSTA Primary Impact Area.

Summary of Estimated Economic Impacts from Realignments of DoD Installations in Kentucky*

	Direct	Indirect	Total
U. S. Army Armor Center, Fort Knox			
Personal Income	N/A	N/A	$80.7 (million)
Employment	3,014	487	3,501
Fort Knox Primary Impact Area			
Personal Income	N/A	N/A	$78.4 (million)
Employment	3,014	385	3,399
Lexington-Blue Grass Army Depot			
Personal Income	N/A	N/A	$57.4 (million)
Employment	1,647	756	2,403
LBAD Primary Impact Area			
Personal Income	N/A	N/A	$52.8 (million)
Employment	1,647	567	2,214
Naval Ordinance Station			
Personal Income	N/A	N/A	$100.4 (million)
Employment	2,510	2,242	4,752
NAVORDSTA Impact Area			
Personal Income	N/A	N/A	$90.4 (million)
Employment	2,510	1,771	4,281

Source: LRC Economic Impact Analysis using the Kentucky Regional Economic Model

*All dollars are in constant 1988 dollars.

Community and Base Response to Military Reductions

U. S. Army Armor Center & Fort Knox

The planned reduction and realignment of Fort Knox have begun. The 194th Armored Brigade has been scaled down to the smaller size of a Task Force, with approximately 1,000 soldiers reassigned. No new soldiers have been received in the 194th Armored Brigade. The Base Operations function has also been reduced. The original reduction in force (RIF) affected two hundred civilian personnel. In actuality only two civilian employees were laid-off. The remainder either "bumped" other employees because of their seniority, were reassigned to unfilled positions, retired or transferred. According to Ft. Knox Public Affairs Officer, a current hiring freeze allowed some employees to take positions which otherwise would remain vacant. However, the total loss to the civilian personnel will still eliminate 116 positions by the end of FY 1991.

The movement of TEXCOM to Fort Hood, Texas, was delayed but has now begun. The 4th Training Brigade has been reduced by one battalion headquarters and three training companies. However, no military personnel can be separated from the military until after Operation Desert Shield is completed. Approximately 560 soldiers left their families in the Radcliff area, as they were reassigned and transferred to Saudi Arabia. Therefore, schools have not experienced the expected exodus of students. But many houses and apartments in Radcliff are vacant, according to one community leader who was interviewed.

Ft. Knox received federal assistance funding from the Displacement of Personnel program, which provides training for separated employees. A career seminar and a training session was conducted on how to prepare a resume and deal with stress. Representatives from thirty-three agencies and corporations participated in a job fair. 4,300 attended and 5,500 applications were taken. Additionally, the Department of the Army will be funding an outplacement employment assistance program called Army Career and Alumni Program.

Community representatives, such as Radcliff businessman and President of the Association of the United States Army, Steve Montgomery, believe that the long-term future of Ft. Knox is positive. Mr. Montgomery feels that new missions will come to Fort Knox, like the chemical center and military police school from Fort McClellan, Alabama. Military representatives point out that construction projects which modernize and repair the facilities are crucial to Ft. Knox's future. However, construction funds are currently frozen because of the financial requirements of Operation Desert Shield.

Naval Ordnance Station, Louisville

Louisville, state and federal government officials have lobbied Congress to remove NAVORDSTA from the closure list. The rationale for keeping NAVORDSTA open includes the high cost of closure compared to the modest amount of savings, the expanding workload at NAVORDSTA, and the high technology and efficiency of the operations. The *Courier-Journal*, December 7, 1990, reported that NAVORDSTA has not only appeared to escape the base-closing "hit list," but is hiring 107 new production workers. DoD lifted a hiring

freeze at the facility to allow the production and repair critical parts used for mobilization in the Persian Gulf.

The ultimate fate of NAVORDSTA is unknown. Congress, as part of the 1991 Defense Budget bill, nullified the previous process of selecting base closures. An independent eight-member bi-partisan commission will review Secretary Cheney's list and select facilities for closure and realignment based on specific selection criteria. The Commission must report its list to the President by July 1, 1991, and the President and Congress must accept or reject the list in toto.

Lexington-Blue Grass Army Depot

The Lexington-Blue Grass Army Depot (LBAD) was listed on the 1988 Commission's list for closure. At that time there were 2,338 employees, including the tenant organizations at LBAD; after the closing there will be 721, and the entire operation will move to the Richmond, Kentucky, facility, with the final disposal date of September, 1995.

The supply missions and material readiness support activity is moving to Letterkenney Army Depot, Pennsylvania; the communications-electronics mission is transferring to Tobyhanna Army Depot, Pennsylvania; the central test measurement activity is transferring to Redstone Arsenal, Alabama.

In August, 1990, approximately 192 employees received lay-off notices, to be effective October 12, 1990. The employees received priority for federal jobs, through the Priority Placement Program, and some qualified for an early retirement plan. Only two employees were actually laid-off. The Rapid Response Teams, through the State Department for Employment Services, assisted some employees with training and job placement.

Once an environmental assessment is completed (June 20, 1991) the Army Corp of Engineers will be soliciting bids for the 580 acres of open space and the 200 acres containing two million square feet of warehouse buildings. The LBAD Redevelopment Committee, consisting of fifteen community and government leaders, is assisting and monitoring the redevelopment process. Lexington officials have shown interest in developing a park on the 580 acres and the warehouse acres are suited for light industry.

Indiana Bases Employing Kentuckians

Jefferson Proving Ground (JPG), Madison, Indiana. Activities of the Jefferson Proving Ground are scheduled to be transferred to Yuma Proving Grounds in fiscal year 1994 and 1995. There are 442 civilians, and three military positions at JPG. JPG spends approximately 50% to 55% of all its procurement dollars in Kentucky, and approximately forty-four civilian personnel live in Kentucky. Jefferson Proving Grounds conducts 85% to 90% of the munitions testing for the army, as well as some testing for the air force, navy and marines.

It will cost between $100 and $200 million in construction, overland move, organization and maintenance to move to Arizona. JPG may be one of the worst cases of environmental hazards for a conventional weapons system site. Estimates of the cost involved in surface cleanup are $56 million, and sub-surface cleanup could cost $5.0 billion.

A Congressional aide to U. S. Representative Lee H. Hamilton said that it might cost "billions to save millions."

Indiana Army Ammunition Plant (INAAP), Charlestown, Indiana. INAAP is a military-industrial, government-owned, contractor-operated facility, one of sixteen active army ammunition plants in the United States. INAAP is fourteen miles north of Louisville. Currently, there are two military and 1010 civilians at INAAP. In 1991, one hundred seventy-five of the total employees are Kentucky residents, compared to 425 in calendar year 1989.

INAAP manufactures propellant charge bags, the charges used by howitzers and mortars to propel rounds downrange. INAAP has 10,649 acres, 4.7 million square feet under roof, 291 explosive magazines with 67,862 tons capacity, and 185 miles of intra-plant roads. There are eighty-six miles of railroads, which includes two active engines. The original acquisition cost was $240 million and the estimated replacement cost is $1.6 billion. INAAP is scheduled for production through FY 1992; at that point they are to go into a base lay-away status.

As a part of the Base Realignment and Closure Act, 863 acres were identified to be excess property. The military is in the process of conducting an environmental assessment of those acres, the northern portion of the plant. The state of Indiana is interested in turning that area into a park. There is a great deal of environmental concern for the area, as it is believed to contain a site for some Indian burial grounds.

Legislative and Executive State Government Response to Military Cutbacks

In response to Senate Concurrent Resolution No. 74, the Interim Joint Committee on Economic Development and Tourism requested committee staff to conduct a study and write a preliminary research report by December 30, 1990 and a final report by September 30, 1991.

The Committee held a public hearing at the NCO Club, Fort Knox, Kentucky on August 30, 1990. Invitations were extended to six military commanders in and around Kentucky, and numerous local government leaders in the Fort Knox area.

As an outgrowth of the August 30th meeting, two resolutions were drafted and approved by the Committee. One resolution urged President Bush and Congress to fund construction of the Porter River Road Bridge and urged the funding of other critical construction projects at the U. S. Army Armor Center and Fort Knox. The other resolution urged President Bush and the Congress not to close the Naval Ordnance Station, Louisville.

In an attempt to understand state government's role in assisting communities to find economic alternatives, an inquiry was sent to the Secretaries of the Cabinet for Economic Development, the Workforce Development Cabinet, and the Department for Employment Services. The Cabinet for Economic Development reported that the Division of Research and Planning prepared economic impact data concerning the closure of the Naval Ordnance Station, Louisville. The Cabinet has not targeted economic development

funds, loans, grants or support services to businesses in or around military installations as a means of mitigating the effects of cutbacks. But when asked what activities the Cabinet for Economic Development should target for these areas and businesses, the Cabinet commented that it should:

> . . . attempt to offset losses by stimulating new business investment and jobs in the labor area affected . . . [and] use state appropriated funds for conversion of vacant defense facilities to industrial commercial use.

The Cabinet for Workforce Development reported that the Vocational Education Region 5 office has been involved in assessing the workforce impact at Fort Knox. The vocational education system has an assessment center at Fort Knox. The Workforce Development Cabinet reported that the Region 15 Training and Development Specialist has been targeting employment services and re-training opportunities to individuals at the Lexington-Blue Grass Army Depot at Avon.

When asked what activities the Cabinet should target for these areas and businesses, the response included the following: "We can customize programs specific to those being displaced. We can enroll in retraining programs. We are willing to set up off-site as well as school programs."

The Department for Employment Services reported that the Dislocated Worker Program under the Job Training and Partnership Act (JTPA), Title III, has provided training to personnel at the Lexington-Blue Grass Army Depot. The program provides career and employment counseling, and job search workshops, and it can provide occupational classroom training and on-the-job training. When asked what activities the Department should target in addressing this problem, the Department requested coordinating programs with other agencies to avoid duplication of services.

CHAPTER I

INTRODUCTION

Background

Need for Study Resolution

On January 29, 1990, Department of Defense (DoD) Secretary Dick Cheney released his list of military installations slated for closure or realignment. The 194th Armored Brigade at Fort Knox was scheduled for restructuring; this has now taken place. Forty-seven bases were targeted for closure, thirty-five in the United States and twelve overseas (see appendix A for complete listings).[1] The Naval Ordnance Station, Louisville (NAVORDSTA), and the Army Ammunitions Plant of Charlestown, Indiana, are the Kentucky and Indiana bases on the list for closure. The Naval Ordnance Station in Louisville is targeted for shutdown in FY 1992, resulting in a loss of 2,350 employees, a $77 million payroll, and $12 million in local procurement. The Army Ammunitions Plant closing is tentatively scheduled for FY 1993.

The Lexington-Blue Grass Army Depot (LBAD) at Avon had already been scheduled for closure, based on action taken by Congress. Employment losses here were estimated at 1,789. In October, 1988, Congress created a bipartisan Base Realignment and Closure Commission, under P.L. 100-526, to remove partisan politics from recommendations on realignments and closures. The list was submitted to the Secretary of Defense in December, 1988, and Congress in May, 1989, for their approval. However, the list had to be accepted or rejected in total. The Lexington-Blue Grass Army Depot was on this closure list, as were the realignment at Fort Knox and the closure of Jefferson Proving Ground in Madison, Indiana. On the positive side, Fort Knox will receive the Air Base Ground Defense School from Fort Dix, New Jersey, as a result of the Commission's recommendation.

DoD announced cutbacks at Fort Knox averaging a 17% reduction in personnel. The 194th Armored Brigade was scheduled to be realigned to the smaller size of a task force by October, 1990, resulting in the loss of 3,010 military. The Test and Experimentation Command (TEXCOM), Armor and Engineer Board, was scheduled to be reduced and moved to Fort Hood, Texas, in FY 1991, resulting in a loss of approximately 170 military and 190 civilian positions. And the 4th Training Brigade was scheduled for reduction by three training companies and one battalion headquarters during FY 1990, resulting in the loss of twenty military and seven civilians.

Kentucky legislators were alarmed by the possibility of substantial financial losses through the loss of employment and procurement contracts. During the 1990 Regular Session of the General Assembly, two resolutions were passed which address this problem. House Resolution No. 112 urged President Bush and Congress not to close the Naval Ordnance Station, Louisville. Senate Concurrent Resolution No. 74 directed the Economic Development and Tourism Committee to study the potential impact of reductions in defense spending on the economy of Kentucky.

Rationale for Base Closing and Funding Cutbacks

The end of the Cold War era and a record U.S. budget deficit led to proposals to reduce the defense budget. The Gramm-Rudman-Hollings budget-balancing law mandated limits on the federal budget deficit for FY 1991. The Pentagon has projected that defense real spending would decline by 2% each year for the next five. Thus, by 1995 real spending would be down 22% from the 1985 level.[2]

The notion that the U.S. should move more rapidly to a peacetime economy was proclaimed both in Congress and the administration. Dr. John Marlin, co-director of the Council of Economic Priorities, expressed it this way:

> We must not protect jobs and inefficient industries in a form of Lemon Militarism. Better to bite the bullet now and provide federal resources to ease the transition to a productive market-oriented economy in those affected communities.[3]

The Defense Dislocation Index is a ranking of the degree to which a state may be affected by military cuts. This ranking is based on a formula which includes the sum of each state's defense dependence and unemployment percentages and the ratio of probable cuts to total defense spending. Those states which will be most affected have large prime contracts for weapons systems slated for cuts. Missouri, Arizona, Washington, Texas, Maryland and California are the most dislocated states on the Defense Dislocation Index ranking.

Because Kentucky has no large weapon system production, it will be most affected by installation closings and realignments and reductions in other procurement. A 1989 federal procurement data report shows Kentucky ranking 37th out of 50 states in federal procurement dollars received in 1988.[4].

The FY 1991 Defense Authorization and Appropriations

Now that the FY 1991 Defense Authorization and Appropriations bills have final congressional approval and have been signed by the President, a more accurate determination of defense spending can be made. Table 1 (below) shows the FY 1991 final authority and appropriation, compared to the real change from FY 1990, the administration's request, and House and Senate authorization. The final FY 1991 appropriations are $288.3 billion, a reduction of 8% from the FY 1990 budget. Military personnel funding is reduced by 4%; construction, operations and maintenance are reduced by 5%.

The legislation reduces the number of U.S. active duty military personnel by 80,000-100,000, making the largest reduction in the defense budget since the end of the Vietnam War.[5] According to the Defense Budget Project publication:

Table 1

FY 1991 Defense Authorization and Appropriations by Title: Comparision with DoD Request, House and Senate Authorizations, and FY 1990 Baseline (current billions)

	Administrative Request	House Authority	Senate Authority	Final Authority	Final Appropriation
Procurement	77.9	63.8	67.4	67.2	66.7
Real change from FY 1990	-9%	-25%	-21%	-21%	-22%
RDT&E	38.0	35.7	36.5	36.2	36.0
Real change from FY 1990	0%	-6%	-4%	-5%	-5%
Revolving/Management Funds	2.2	1.6	1.6	1.5	2.0
Real change from FY 1990	913%	627%	627%	575%	802%
O&M	90.1	83.8	85.9	85.7	86.3
Real change from FY 1990	0%	-7%	-5%	-5%	-5%
Military Personnel	79.1	78.3	77.5	78.4	78.2
Real change from FY 1990	-3%	-4%	-5%	-4%	-4%
Military Construction	5.6	4.9	5.2	5.3	5.1
Real change from FY 1990	5%	-8%	-2%	0%	-5%
Family Housing	3.5	3.6	3.4	3.4	3.3
Real change from FY 1990	6%	10%	4%	3%	1%
Atomic Energy Defense	11.0	11.0	11.1	10.9	10.9
Real change from FY 1990	9%	10%	11%	9%	9%
Total*	306.9	283.0	288.3	288.5	288.3
Real change from FY 1990	-2%	-10%	-8%	-8%	-8%

*Final Authorization Total includes $0.2 billion for Operation Desert Shield which does not count against the resolution limits for defense.

Source: Defense Budget Project, "Final Congressional Action on the FY 1991 Defense Budget: Authorization and Appropriation," November 7, 1990.

Congressional approval of additional defense funding for FY 1991 is likely in a supplemental appropriation to cover the costs associated with Operation Desert Shield. Such an appropriation, which would probably occur in the Spring of 1991, would not be counted against the defense budget ceiling set in the FY 1991 Congressional Budget Resolution.

Section 2687 of Title 10, United States Code, required the Defense Secretary to formally notify Congress of his intentions to undertake a large closure or realignment. As part of the annual budget process, the Secretary must submit six impact analyses: fiscal, local economic, budgetary, environmental, strategic and operational. Secretary

Cheney's January 29, 1990, announcement was not the formal Congressional notification required by law, as it did not include the required impact analyses.

The 1991 Defense Authorization Act created a new procedure for selected bases for closure, including those on Secretary Cheney's list. A bipartisan commission of eight members appointed by the President and confirmed by the Senate would review the DoD Secretary's list (submitted by April 15, 1991) and recommend changes and justifications to the President by July 1, 1991. Neither the President nor Congress may amend the list, but they must accept or reject the list in toto. This process removes some of the political considerations from the decision-making process.

Also, the Secretary of Defense is required to submit a six-year plan for military force structure, with budget requests in 1991, 1993 and 1995. He is also required to provide the commission with criteria he used in determining which bases would be closed.

Layout of Chapters

Chapter I discusses the need for a study of the effects of the Department of Defense spending reductions in Kentucky. It also describes installations experiencing a realignment or closure, and discusses the action taken by the Kentucky General Assembly to explore options for ameliorating economic losses.

Chapter II provides an estimate of the economic impact on Kentucky of reduced DoD expenditives resulting from the closure or realignment of three Kentucky-based installations: U.S. Army Armor Center & Fort Knox, the Naval Ordnance Station, Louisville, and the Lexington-Blue Grass Army Depot. The economic impact analysis involves identifying the direct and indirect impacts, using the Kentucky Regional Economic Model.

Chapter III discusses the level of implementation of the realignments to date, and current factors affecting the bases that are targeted for closure or realignment. Actions taken and pending at the three Kentucky bases and two Indiana bases are discussed as well. Community and military response to the cutbacks is emphasized.

Chapter IV summarizes action taken by the Kentucky General Assembly and the Interim Joint Committee on Economic Development. It also includes the executive agencies' efforts to assist employees who are laid off as a result of direct or indirect effects of the cutbacks.

CHAPTER II

KENTUCKY ECONOMIC IMPACTS OF REDUCTIONS IN FEDERAL DEFENSE SPENDING

Introduction

The realignment of the national defense forces and the accompanying reduction in spending will affect both the national and state economies. The magnitude of the economic impact will depend on how the resulting savings are treated, the size of the cutbacks, and the general state of the economy. Two types of cutbacks will directly affect economic activity. The first category involves realignment and closing of Department of Defense (DoD) installations. This will directly affect employment and earnings of workers. In Kentucky, this includes possible adjustments of the U.S. Armor Center at Fort Knox, the Lexington-Blue Grass Army Depot, and the Naval Ordnance Station. Realignments of the Indiana Army Ammunition Plant and the U.S. Army Jefferson Proving Ground, also in Indiana, will affect some Kentucky workers and purchases. A second area of economic consequence will be cutbacks in DoD procurements. A variety of Kentucky companies supply goods and services to DoD facilities within Kentucky borders and to facilities outside the state. Reductions in defense spending could result in decreased demand for goods these companies produce. This chapter focuses on the economic impacts of realignments of DoD installations in Kentucky.

The first step in economic impact analysis is identifying the projected reductions in employment, wage and salary disbursements, and purchases resulting directly from the proposed realignments at the DoD installations. These are called the *direct impacts*. These reductions, in turn, generate indirect effects through backward and forward linkages in the economy. Backward linkages include effects on suppliers of goods and services. For example, an installation consumes public utility services and purchases office supplies and materials for its operations. Forward linkages result when employees spend their earnings on goods and services, such as food, clothing, and housing. The total effect is some multiple of the direct effects.

The Kentucky economic impacts of the defense realignments were calculated by using the Kentucky Regional Economic Model (REMI). This model was developed for Kentucky by Regional Economic Models, Inc. REMI is a simulation of the Kentucky economy and includes a complete data history of the Kentucky and United States economies and a forecast of the United States economy. The historical relationships between the United States and Kentucky economies are used to develop a control forecast of the Kentucky economy. An economic impact simulation is then conducted by altering this forecast with information on the direct impacts and developing an alternate forecast. The difference between the control and simulation forecasts reflects the estimated total economic impact of the change under review.

The following discussion addresses the macroeconomic implications of reductions in defense spending. Following this general discussion, the economic impacts of the proposed realignments at the three facilities in Kentucky are discussed.

Macroeconomic Impacts

At the national level, the reductions in defense expenditures will result in a redistribution of federal government spending. If this savings is utilized to reduce the federal deficit, it could ease inflation and help to reduce upward pressures on interest rates. Since interest rates exert a primary influence on both consumer consumption and business activity, declines in interest rates would encourage private sector investment in the nation's economic base. On the other hand, the decreased investment caused by defense cutbacks and resulting losses in employment and personal income would reduce economic activity.

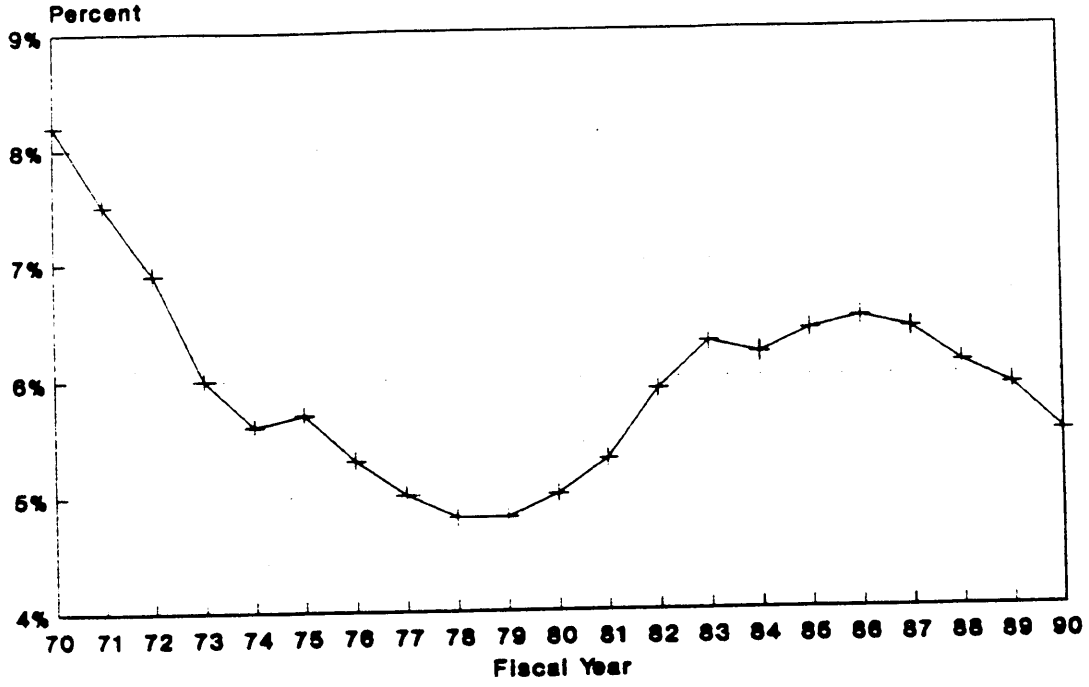
Alternatively, monies from defense cuts could be allocated to other federal programs. Economic activity in sectors related to these programs would increase. The magnitude of the increase in Kentucky would depend on the state's share of the funded programs.

The national impact of reduced economic activity will also depend on the size of the spending reductions and their share of the national economy. Defense outlays as a percent of gross national product (GNP) were cyclical over the last twenty years (Chart 1). This share declined steadily through the 1970's to a low of 4.8% in 1979. By 1986, the defense share of GNP had risen to 6.5%, an increase of 1.7%. This share then declined to 5.3 percent in 1989. The latest budget discussions suggest that defense spending is likely to decline by 10% to 25% from FY 1991 to FY 1995.[6] Under these budget proposals, defense spending is expected to account for between 4.2% and 3.5% of GNP by 1995. However, this reduction in share is attributed to increases in other components of GNP, as well as declines in defense spending. Therefore, reductions in defense spending should be somewhat offset by increased activity in other economic sectors.

While the national effects may be offset, the regional effects may be more severe. Many regions, states and counties are heavily dependent on defense-related employment. Reductions in defense spending would have a more pronounced economic impact for these areas. The Kentucky economic impacts of defense reductions will depend on Kentucky's share of the national defense industry.

Table 2 summarizes DoD employment for Kentucky and the United States from 1969 to 1989. DoD employment as a percent of total employment declined at both the state and national levels. The Department of Defense share of total Kentucky employment declined from 5.5% in 1969 to 2.8% in 1989. Kentucky's share of total DoD employment remained relatively stable during this period. However, Kentucky had 2.3% of total DoD employment in 1989, larger than the national share of 1.7%. Therefore, Kentucky may experience a proportionately greater employment loss from DoD cutbacks than the nation as a whole.

Chart 1
Federal Defense Spending as a
Percent of Gross National Product
1970 - 1990



Source: Congressional Budget Office

U.S. Army Armor Center & Fort Knox

The Base Closure and Realignment Act is a comprehensive base reorganization and reduction plan that significantly affects the U.S. Army Armor Center at Fort Knox, Kentucky. The primary missions of the U.S. Army Armor Center are to train soldiers, maintain equipment, and support combat readiness of the Armed Forces. There are four Fort Knox activities planned for reorganization and/or reduction[7]:

1) The 194th Separate Armor Brigade was scheduled for a reduction of 3,010 military personnel on September 30, 1990. Associated changes in medical personnel included a loss of 43 military and a gain of 16 civilian personnel.
2) Basic training operations have been reduced, resulting in a loss of 20 military and seven civilian positions. There was also a reduction of 330 in the average trainee population.

Table 2
Department of Defense Employment

	United States				Kentucky				
Year	Total	Active Duty Military	Civilian	Percent of Total US Employment	Total	Percent of U. S. Defense	Active Duty Military	Civilian	Percent of Total KY Employment
1969	89,520,000	1,943,114	1,162,413	3.47%	71,622	2.31%	53,997	17,625	5.46%
1970	89,753,000	1,754,545	1,044,652	3.12%	59,786	2.14%	43,804	15,982	4.55%
1971	90,053,000	1,643,078	999,732	2.93%	60,639	2.29%	45,238	15,401	4.55%
1972	92,773,000	1,474,631	988,433	2.65%	50,726	2.06%	34,786	15,940	3.71%
1973	96,854,000	1,435,237	952,097	2.46%	55,665	2.33%	40,943	14,722	3.87%
1974	98,529,000	1,392,521	969,566	2.40%	61,849	2.62%	45,585	16,264	4.20%
1975	97,177,000	1,414,349	941,665	2.42%	56,607	2.40%	41,118	15,489	3.92%
1976	99,860,000	1,368,805	913,846	2.29%	61,100	2.68%	46,243	14,857	4.07%
1977	103,323,000	1,360,487	899,634	2.19%	55,530	2.46%	42,216	13,314	3.56%
1978	108,092,000	1,347,304	894,544	2.07%	53,783	2.40%	40,758	13,025	3.31%
1979	111,632,000	1,299,296	876,258	1.95%	50,858	2.34%	38,277	12,581	3.08%
1980	112,257,000	1,359,942	871,841	1.99%	52,159	2.34%	40,087	12,072	3.22%
1981	113,313,000	1,373,836	890,996	2.00%	51,996	2.30%	39,790	12,206	3.22%
1982	112,565,000	1,387,689	899,411	2.03%	54,422	2.38%	41,458	12,964	3.41%
1983	114,146,000	1,410,320	931,123	2.05%	54,983	2.35%	41,378	13,605	3.43%
1984	119,485,000	1,371,670	941,969	1.94%	53,123	2.30%	39,269	13,854	3.20%
1985	123,176,000	1,366,866	976,155	1.90%	55,575	2.37%	40,782	14,793	3.29%
1986	125,592,000	1,427,574	963,859	1.90%	53,155	2.22%	38,932	14,223	3.08%
1987	129,055,000	1,400,302	980,255	1.84%	53,469	2.25%	39,196	14,273	2.99%
1988	132,886,000	1,376,181	941,796	1.74%	51,943	2.24%	38,420	13,523	2.81%
1989	136,054,000	1,375,706	966,597	1.72%	52,854	2.26%	38,824	14,030	2.78%

Source: Unpublished data from the Department of Defense

3) The Test and Experimentation Command (TEXCOM) Armor and Engineering Board (AEB) will be relocated. Relocation will result in a loss of 165 military and 125 permanent civilian positions.
4) In fiscal year 1992, Fort Knox is scheduled to begin training Air Force students in ground combat skills. This activity will increase employment by 204 military and 26 civilian positions.

Activities at Fort Knox provide benefits across the state through economic linkages. However, the economic impacts of the realignment will tend to be concentrated in the immediate vicinity of the base. Fort Knox occupies 109,000 acres in the three Kentucky counties of Bullitt, Hardin, and Meade. The installation offers housing for military personnel, medical services, food service and retail establishments, amusement facilities, and other residential support activities. Current housing capacity is insufficient to meet personnel requirements. Of military personnel affected by the realignment, only 58% live on the base. All civilian personnel reside off the base, and 83.0% of these live in the three Fort Knox counties. These three counties will be referred to as the Fort Knox primary impact area (PIA) in the following analysis.

Economy of the Fort Knox Primary Impact Area

The economy of the Fort Knox primary impact area, as measured by personal income, has not performed as well as the state economy over the last twenty years. Chart 2 illustrates the comparative economic growth of real personal income for the Fort Knox PIA and Kentucky from 1969 to 1988. Real personal income for the Fort Knox PIA did not grow as rapidly as Kentucky personal income. The area had total personal income of $1,856 million in 1988, accounting for 3.9% of state personal income (Table 3). Per capita income of the area was $11,158 in 1988, which was 87.0% of that of the state as a whole.

Table 3

Fort Knox Primary Impact Area
Economic Statistics

	Primary Impact Area		Kentucky	
	1978	1988	1978	1988
Total Personal Income (Millions of 1988$)	$ 1,493	$ 1,856	$41,774	$47,805
Per Capita Income (1988 $)	$10,028	$11,158	$11,567	$12,830
Employment	61,337	70,789	1,625,860	1,646,000
Unemployment Rate	5.5%	7.7%	5.3%	6.2%

Source: Kentucky Economic Information Systems, University of Kentucky

An overview of employment trends also indicates relatively weak economic performance of the area in the past. This area had significant declines in employment in the early 1970's (Chart 3). However, this trend reversed in the mid-1970's and employment increased strongly in the 1980's. By 1988 there were 70,789 jobs in the PIA, the highest level since 1969. The area accounted for 4.3% of total state employment in 1988.

Chart 2
Personal Income Index
Fort Knox Primary Impact Area
1969 - 1988

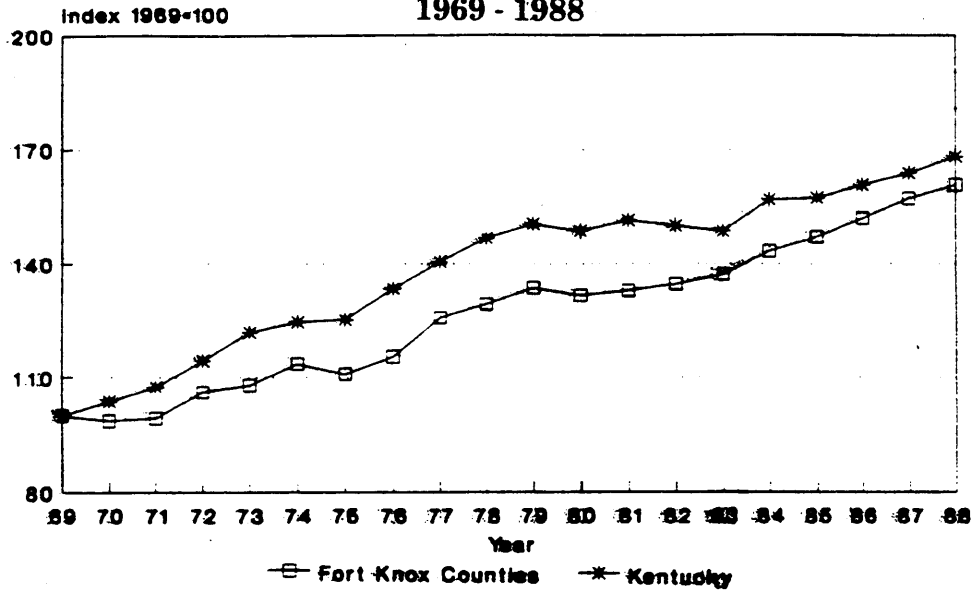
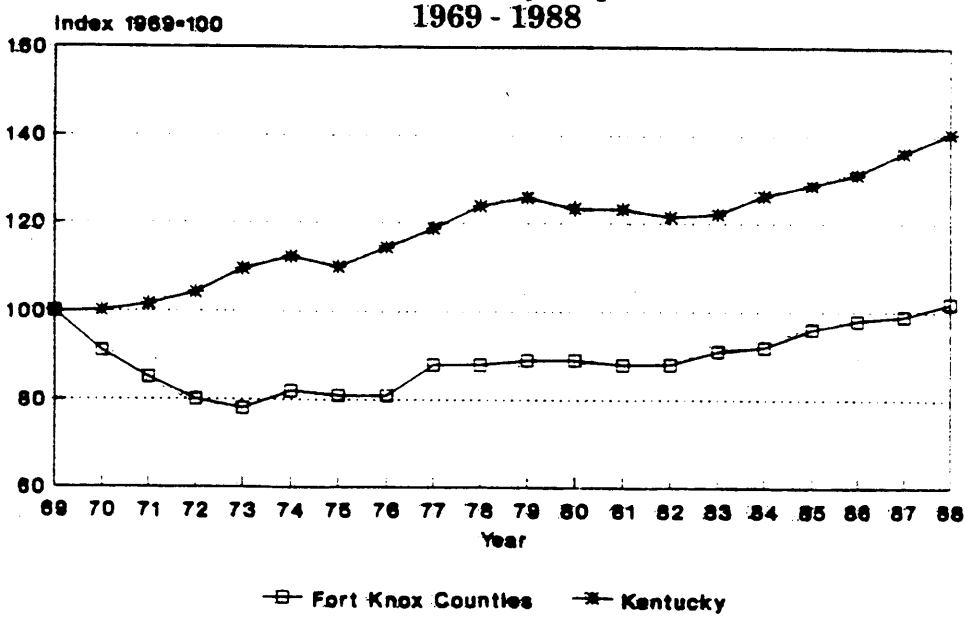


Chart 3
Employment Index
Fort Knox Primary Impact Area
1969 - 1988



The relative economic performance can be explained by the economic structure of the area (Table 4). Employment in this area has been dominated by the federal government. In 1978, 43.5% of jobs in the PIA were provided by the federal government. By 1988, this share declined to 34.1%. The employment share of federal civilian workers remained virtually constant and was 9.5% in 1988. However, there was a significant decline in the employment share of federal military jobs, which was 33.6% in 1978, dropping to 24.6% in 1988.

Table 4

Employment Distribution by Economic Sector
Fort Knox Primary Impact Area

	Primary Impact Area		Kentucky	
Economic Sector	**1978**	**1988**	**1978**	**1988**
Goods Producing	16.5%	15.6%	30.6%	24.4%
Manufacturing	9.1	9.6	18.3	15.3
Farming	7.2	5.9	8.9	6.9
Mining	0.2	0.1	3.4	2.2
Non-goods Producing	83.5	84.4	69.5	75.6
Services	9.7	13.5	17.6	22.4
Trade	12.6	16.3	19.3	20.8
Transportation, Utilities & Communications	2.5	3.1	5.0	4.9
Finance, Insurance, & Real Estate	3.4	4.0	4.7	5.5
State/Local Government	7.9	8.5	10.7	10.3
Federal Government	43.5	34.1	5.7	5.6
Civilian	9.9	9.5	2.4	2.3
Military	33.6	24.6	3.3	3.3
Other	3.9	4.9	6.4	6.1
	100.0%	100.0%	100.0%	100.0%

Source: Kentucky Economic Information System, University of Kentucky

The decline in military employment was somewhat offset by increases in employment in other sectors. Similar to state trends, the share of PIA employment in the non-goods producing sectors increased over the last decade. By 1988, the trade sector accounted for 16.3% of jobs and the service sector accounted for 13.5% of jobs. Unlike state trends, the share of jobs in the manufacturing sector increased from 9.1% in 1978 to 9.6% in 1988. Thus, the economic base of the area is becoming more diversified.

Table 7

Estimated Economic Impacts in the Fort Knox Primary Impact Area

	Direct	Indirect	Total
Employment	-3,014	-385	-3,399
Personal Income (Million 1988$)	NA	NA	-$78.4

Implications

Local economic conditions will determine the extent to which the loss of employment, income, and purchases may be absorbed by the local economy. The recent growth in economic activity and increasing economic diversification of the PIA should serve to cushion the effects of losses from realignments at Fort Knox. Of the estimated employment loss for the area, 2,924 of the direct jobs are military personnel which will be relocated. These individuals will not be competing with other job seekers or add to local area unemployment. However, the relatively high unemployment rate may indicate limited alternative employment opportunities for the remaining displaced workers.

Lexington-Blue Grass Army Depot

The Lexington-Blue Grass Army Depot (LBAD) was also selected as a target in the Base Closure and Realignment Act. There are two LBAD facilities: one near Lexington, in Fayette County (the Lexington facility), and the other near Richmond, in Madison County (the Blue Grass facility). The Lexington facility will be closed and the majority of its functions transferred to out-of-state locations in fiscal years 1994 and 1995.[8]

Activities currently performed at LBAD include management, storage, and repair of supplies in support of Department of Army functions. These supplies include communications and other electronic equipment and outfitting gear for military units and personnel.

While the impacts of closing the Lexington facility will be felt throughout the state, the majority of effects will be in the immediate vicinity of the facility. Changes in economic activity will result from reductions in supplier purchases and reduced spending by employees. Approximately 75% of LBAD employees reside in either Fayette, Clark, Madison, or Bourbon County.[9] These four counties are referred to as the primary impact area (PIA) in the following analysis.

Economy of the Lexington-Blue Grass Army Depot Primary Impact Area

The LBAD PIA enjoyed healthy economic growth over the last twenty years. Chart 4 compares the growth in personal income for the PIA and Kentucky, from 1969 to 1988. Area total personal income growth exceeded that of the state throughout the period. While the 1982 recession severely affected the Kentucky economy, the LBAD PIA experienced

milder reductions. This contributed to an increase in the gap between growth in area and state personal income in the 1980's.

In 1988, personal income of the area totalled $4,956,000,000, accounting for 10.4% of the state total (Table 8). Per capita income exceeded that of the state during both decades. In 1988, per capita income of the area was $13,531, compared to $12,830 for the state.

Table 8

Lexington-Blue Grass Army Depot Primary Impact Area
Economic Statistics

	Primary Impact Area		Kentucky	
	1978	1988	1978	1988
Total Personal Income (Million 1988 $)	$ 3,938	$ 4,956	$41,774	$47,805
Per Capita Income (1988 $)	$12,483	$13,531	$11,567	$12,830
Employment	173,718	215,101	1,625,860	1,646,000
Unemployment Rate	3.8%	5.7%	5.3%	6.2%

Source: Kentucky Economic Information Systems, University of Kentucky

Chart 4

Personal Income Index
Lexington Bluegrass Army Depot
Primary Impact Area
1969 - 1988

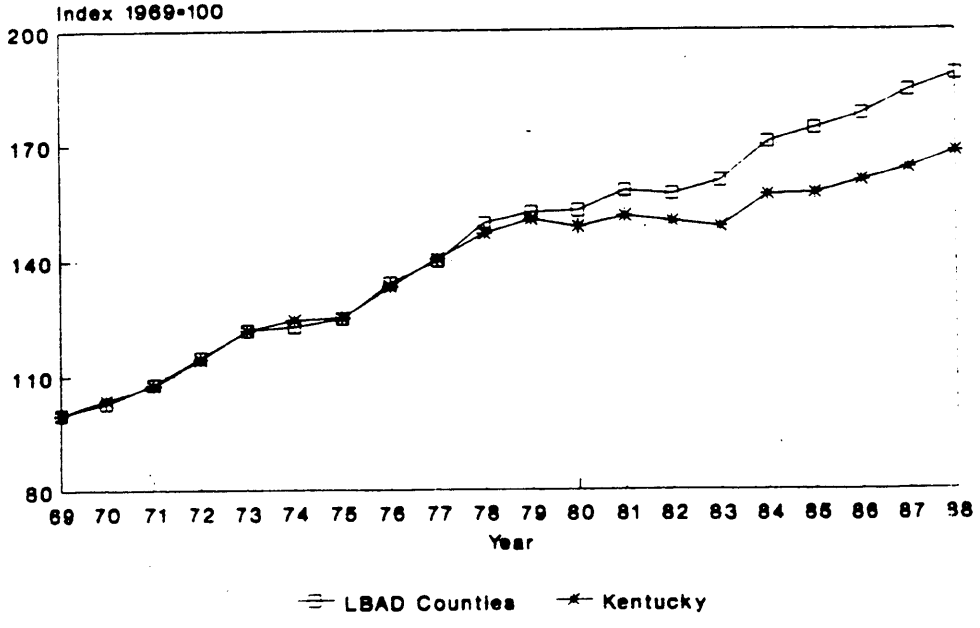


Chart 5
Employment Index
Lexington Bluegrass Army Depot
Primary Impact Area
1969 - 1988

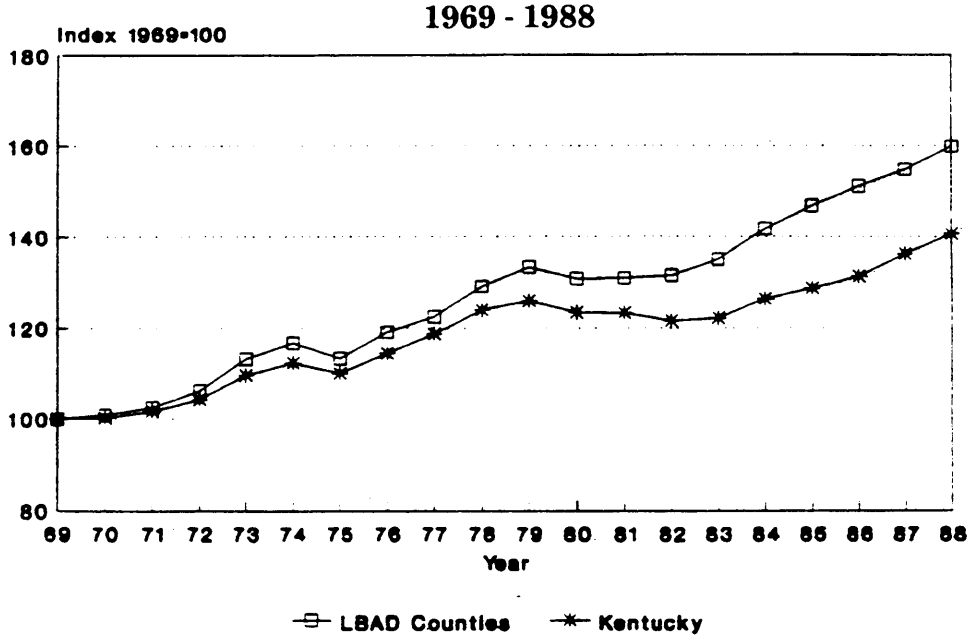


Chart 5 compares the growth in employment for the LBAD PIA and the state from 1969 to 1988. The growth in employment in the area exceeded that of the state throughout the period, while the area's unemployment rates have been below state levels.

An understanding of the comparative economic performance may be gleaned by comparing the area's economic structure to that of the state (Table 9). The share of employment in the goods-producing sectors declined during the 1980's for both the area and the state. However, the PIA'S share of employment in these sectors was significantly less than that of the state in both periods. In 1988, 17.5% of LBAD PIA employment was in goods-producing activities, compared to 24.4% for the state.

Conversely, the area had a higher share of employment in the non-goods producing sectors. The service sector was the primary source of employment in the LBAD PIA, accounting for 25.2% in 1988. The non-goods producing sectors were the primary source of economic growth at both the national and state level during the expansionary period following the 1982 recession. The LBAD PIA concentration in these sectors helped to mitigate the impacts of the 1982 recession and promoted economic growth through the latter part of the 1980's.

In 1988, the federal government accounted for 4.1% of employment in the LBAD PIA, compared to 5.6% for the state. The area had a higher proportion of federal government civilian jobs and a lower proportion of military jobs than the state.

Table 9

Distribution of Employment by Economic Sector
Lexington-Blue Grass Army Depot Primary Impact Area

	Primary Impact Area		Kentucky	
Employment Sector	**1978**	**1988**	**1978**	**1988**
Goods Producing	22.2%	17.5%	30.6%	24.4%
Manufacturing	16.4	13.2	18.3	15.3
Farming	5.5	4.1	8.9 6.9	
Mining	0.3	0.2	3.4	2.2
Non-goods Producing	77.8	82.5	69.4	75.6
Services	19.7	25.2	17.6	22.4
Trade	22.0	22.4	19.3	20.8
Transportation, Utilities & Communications	4.2	4.1	5.0	4.9
Finance, Insurance, & Real Estate	5.9	6.8	4.7	5.5
State/Local Government	14.7	12.5	10.7	10.3
Federal Government	4.4	4.1	5.7	5.6
Civilian	3.7	3.1	2.4	2.3
Military	0.7	1.0	3.3	3.3
Other	6.9	7.4	6.4	6.1
	100.0%	100.0%	100.0%	100.0%

Source: Kentucky Economic Information System, University of Kentucky

Economic Impact of Lexington-Blue Grass Army Depot Closure

When the Lexington LBAD facility was targeted for closure in December of 1988, there were 2,338 employees. By October 1990, 478 civilian personnel had either retired or relocated. When implementation of the Base Closure and Realignment Act is completed, there will be a total loss of 1617 civilian and 30 military positions. The remaining 721 positions will be assigned to the Blue Grass facility in Madison County. Purchases at LBAD totalled $25 million in 1989, 72% of which were from the LBAD PIA.

This information was utilized to simulate the economic impacts using the Kentucky Regional Economic Model. While the realignment is being phased in over several years, final implementation is scheduled for the fiscal year 1994-1995 period. Therefore, the following analysis assumes all functions are transferred by 1994.

Table 10 reports estimated changes from closing the Depot. Total state personal income is estimated to be reduced by 0.12%. Gross regional product, measure of net state output, is expected to decline by 0.03%.

Table 10

Kentucky Economic Impacts of Closing the Lexington-Blue Grass Army Depot Selected Economic Statistics

	1988 Levels (Million $)	Estimated Change (Million 1988 $)	Percent of State Total
Personal Income	$47,805	-$57.4	-0.12%
Total Earnings	26,737	- 53.5	-0.22
Gross Regional Product	58,939	- 17.7	-0.03

Direct employment losses will be 1,647 civilian and military jobs at LBAD. Indirect employment losses are estimated at 756 jobs, giving a total job loss of 2,403. The employment multiplier, which gives the ratio of total jobs lost to direct loss in jobs is 1.46.

Table 11 summarizes economic losses by sector. Sixty-seven percent of total employment losses result from declines in federal government civilian employment. While almost every economic sector is affected, the bulk of indirect economic impacts occur in the service and trade sectors. Losses in these sectors result both from decreases in local consumption due to loss of employment and from decreased purchases of goods and services by the Lexington LBAD facility.

Table 11

Distribution of Estimated Changes in Kentucky Economic Activity from Closing the Lexington Blue Grass Army Depot

Economic Sector	Direct	Indirect	Total
Goods Producing			
Manufacturing	0	1.6%	0.5%
Agriculture	0	0	0
Mining	0	0.1	LT 0.1
Non-goods Producing			
Services	0	42.3	13.4
Trade	0	32.5	10.3
Finance, Insurance, & Real Estate	0	6.2	2.0
Transportation, Utilities & Communication	0	3.3	1.0
State/Local Government	0	9.5	3.0
Federal Government			
Civilian	98.2%	0	67.2
Military	1.8	0	1.3
Other	0	4.5	1.2
	100.0%	100.0%	100.0%

The Kentucky Regional Economic Model simulates statewide impacts and not impacts for specific regions or counties in Kentucky. Therefore, regional impacts are estimated, using total state results and regional employment patterns.

All of the direct job losses will occur in the primary impact area. While the indirect losses will occur throughout the state, a major share of these losses will be due to the loss of local purchasing by the LBAD facility and reduced spending by individuals employed at LBAD. Since 75.0% of LBAD employees reside in the PIA, it is assumed that a proportionate share of the indirect effects will occur in this area. The result would be 2,214 fewer jobs in 1994 in the LBAD PIA (Table 12). The area accounts for 92.1% of total estimated employment loss. Assuming that personal income losses will be distributed similarly, the estimated loss in personal income for the area is $52.8 million.

Table 12

Estimated Economic Impacts in Lexington-Blue Grass Army Depot Primary Impact Area

	Direct	Indirect	Total
Employment	-1,647	-567	-2,214
Personal Income (Million 1988$)	NA	NA	-$52.8

Implications

Current economic conditions will determine the extent to which the loss of employment, income, and purchases may be absorbed by the local economy. The LBAD PIA has a diversified economic base and relatively low unemployment rates, and it has exhibited strong economic growth in the past. These factors will enhance the ability of the local economy to absorb displaced workers.

Naval Ordinance Station

In January 1990, the Secretary of Defense announced that the Naval Ordinance Station (NAVORDSTA) in Louisville was included on a second list of military facilities to be studied for possible realignment and closure. Realignment of this facility would entail locating of the NAVORDSTA outside of Kentucky and closure of the Louisville facility.

The NAVORDSTA is responsible for engineering, technical, materiel, and logistical support of naval weapons systems. In this capacity, the NAVORDSTA is a manufacturing facility. Personnel are engaged in repair, manufacturing, assembly, and engineering of weapon systems, as well as research and administrative support of these functions.

The NAVORDSTA is located in the Louisville Metropolitan Statistical Area (MSA). The Kentucky counties in the Louisville MSA include Bullitt, Jefferson, Oldham, and Shelby

counties. Seventy-nine percent of NAVORDSTA employees reside in the Kentucky portion of the Louisville MSA.[10] These four counties will be referred to as the primary impact area (PIA) in the following analysis.

Economy of the Naval Ordnance Station Primary Impact Area

Since the Louisville MSA is the largest in Kentucky, it is not surprising to note that this area accounted for 26% of total state personal income in 1988 (Table 13). The area had a per capita income of $14,261 in 1988, 108% of state personal income.

Table 13

Naval Ordnance Station Primary Impact Area Economic Statistics

	Primary Impact Area		Kentucky	
	1978	1988	1978	1988
Total Personal Income (Millions of 1988 $)	$11,003	$12,596	$41,774	$47,805
Per Capita Income (1988 $)	$12,741	$14,261	$11,567	$12,830
Employment	421,236	466,597	1,625,860	1,646,000
Unemployment Rate	4.0%	5.5%	5.3%	6.2%

Source: Kentucky Economic Information Systems, University of Kentucky

However, the area's economic growth has not kept pace with that of the state. Chart 6 compares growth in personal income for the NAVORDSTA PIA and Kentucky from 1969 to 1988. Total personal income grew more slowly for the area than for the state. An examination of employment growth reflects similar economic trends (Chart 7). Employment growth in the area has also lagged behind that of the state.

Once again, the relative economic performance is explained by an examination of the economic structure of the area. In 1978, 24.0% of employment in the primary impact area was in the manufacturing sector, compared to 18.3% for the state (Table 14). Manufacturing in this area was dominated by durable goods production.[11] Production activity in this sector is very sensitive to economic cycles, and was the primary casualty of the 1982 recession. The share of area employment in manufacturing declined significantly through the 1980's, to 16.3% by 1988, slightly higher than the state average of 15.3%.

The non-goods producing sectors account for a larger share of employment in the area than in the state. The service, trade, and finance sectors accounted for 59.3% of area employment in 1988, compared to 48.7% for the state. Similar to state and national trends, these sectors increased their share of employment from 1978 to 1988.

While the activities of the NAVORDSTA are manufacturing in nature, federal data collection agencies classify employment at this facility as civilian/federal government. The federal government accounted for 3.1% of employment in the area in 1988, with the civilian sector accounting for 2.0% of total employment.

Table 14

Employment Distribution by Economic Sector
Naval Ordinance Station Primary Impact Area

	Primary Impact Area		Kentucky	
Employment Sector	**1978**	**1988**	**1978**	**1988**
Goods Producing	25.5%	17.5%	30.6%	24.4%
Manufacturing	24.0	16.3	18.3	15.3
Farming	1.4	1.1	8.9	6.9
Mining	0.1	0.1	3.4	2.2
Non-goods Producing	75.5	82.5	69.4	75.6
Services	21.4	28.1	17.6	22.4
Trade	21.8	23.1	19.3	20.8
Transportation, Utilities & Communications	5.8	5.9	5.0	4.9
Finance, Insurance, & Real Estate	7.2	8.1	4.7	5.5
State/Local Government	9.3	8.0	10.7	10.3
Federal Government	2.7	3.1	5.7	5.6
Civilian	2.0	2.0	2.4	2.3
Military	0.7	1.1	3.3	3.3
Other	6.3	6.2	5.4	5.1
	100.0%	100.0%	100.0%	100.0%

Source: Kentucky Economic Information System, University of Kentucky

Chart 6
Personal Income Index
Naval Ordinance Primary Impact Area
1969 - 1988

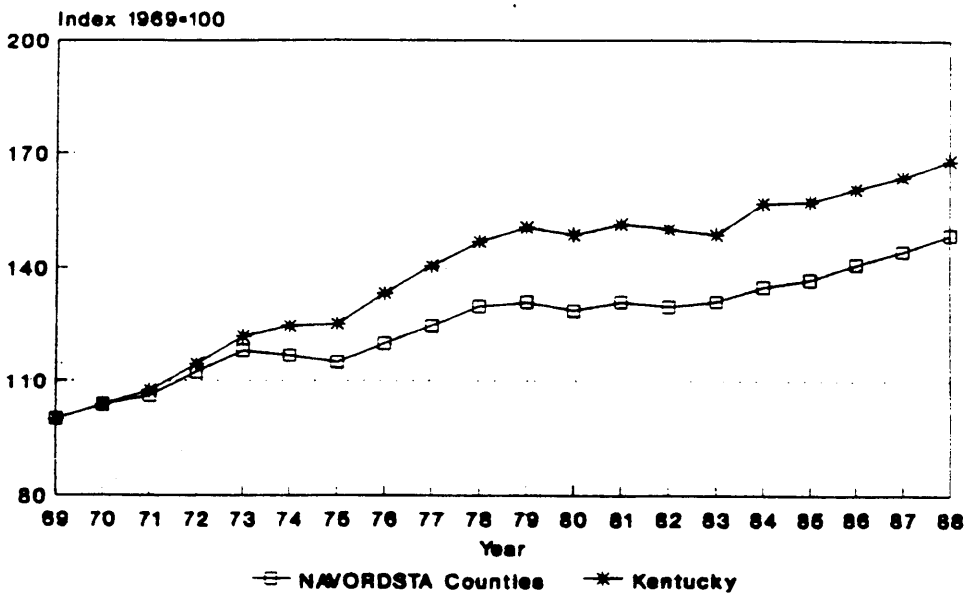
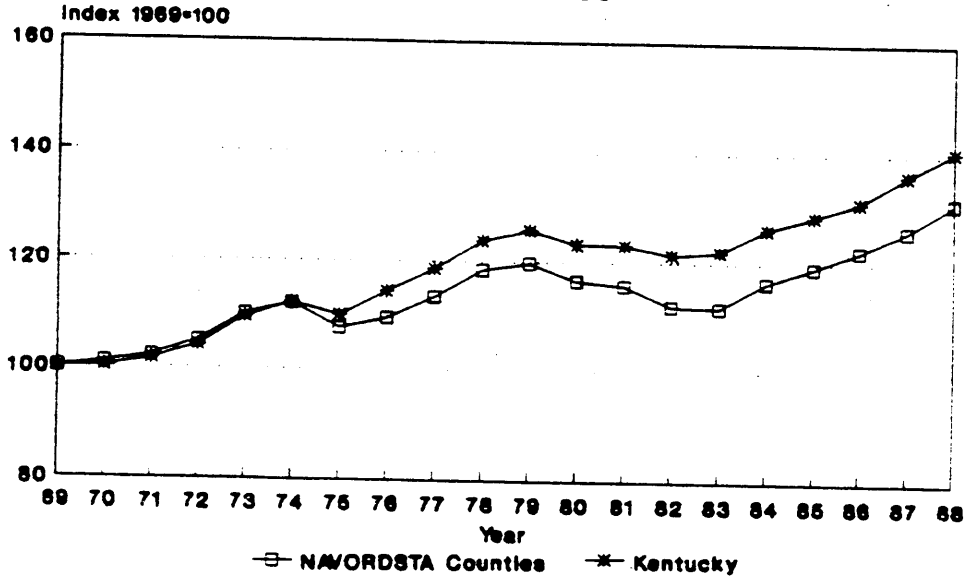


Chart 7
Employment Index
Naval Ordinance Primary Impact Area
1969 - 1988



Economic Impact of NAVORDSTA Closure

The NAVORDSTA currently employs 2,498 civilian personnel and 12 military personnel. The NAVORDSTA reported total purchases in Kentucky of $6,631,211 in 1989. The proposed realignment would eliminate all employment and purchases.

This information was utilized in the Kentucky Regional Economic Model. While the realignment is likely to be phased in over several years, the tentative status of the realignment provides no indication as to the timing of the closure. Therefore, the following analysis assumes all functions are transferred in 1992.

Table 15 reports several economic changes expected to result from the closing of the NAVORDSTA. Total state personal income is estimated to decline by $100.4 million, or 0.2%. Gross state product, a measure of net state output, is expected to decline by $176.8 million, or 0.3%.

Table 15

Estimated Impacts of Closing the NAVORDSTA on the Kentucky Economy Selected Economic Statistics

	1988 Levels (Million $)	Estimated Change (Million 1988 $)	Percent of State Total
Personal Income	$47,805	-$100.4	-0.21%
Wage and Salary	26,737	- 93.6	-0.35
Gross Regional Product	58,938	- 176.8	-0.30

Direct employment losses will be 2,510 civilian and military jobs at NAVORDSTA. Indirect employment losses are estimated to be 2,242, yielding total job loss of 4,752. The employment multiplier is the ratio of total jobs lost to direct loss in jobs, or 1.89.

Table 16 summarizes the distribution of reductions in economic activity by economic sector. While almost every economic sector is affected, the majority of indirect effects occur in the service and trade sectors. Reductions in these sectors result primarily from decreases in local consumption due to loss of income. The majority of reductions in manufacturing, transportation, and public utilities are due to reduced purchases of the NAVORDSTA.

Table 16

Distribution of Estimated Changes in Kentucky Economic Activity of Closing the Naval Ordinance Station

Employment Sector	Direct	Indirect	Total
Goods Producing			
Manufacturing	0	4.5%	2.1%
Agriculture	0	0	0
Mining	0	0	0
Non-goods Producing			
Services	0	39.8	18.7
Trade	0	33.2	15.6
Finance, Insurance, & Real Estate	0	7.1	3.4
Transportation, Utilities & Communication	0	4.6	2.2
State/Local Government	0	3.5	1.6
Other	0	7.3	3.5
Federal Government			
Civilian	99.5	0	52.6
Military	0.5	0	0.3
	100.0%	100.0%	100.0%

The Kentucky Regional Economic Model estimates statewide economic impacts and not impacts for specific regions or counties in Kentucky. Therefore, regional economic impacts were estimated, based on total state results and regional employment distributions. All of the direct job losses will occur in the primary impact area. While the indirect losses will occur throughout the state, a major share of these losses will be due to the loss of local purchasing by NAVORDSTA and reduced spending by displaced employees. Since 79% of employees reside in the PIA, it was assumed that 79% of the indirect job losses will occur in the primary impact area. Based on this assumption, approximately 1,771 of the indirect jobs lost will be in the NAVORDSTA PIA (Table 17). This yields a total loss of 4,281 jobs in the PIA, which is 90.0% of the estimated state total. Assuming that income effects will be distributed proportionately, personal income for the NAVORDSTA PIA is estimated to decline by $90.4 million.

Table 17

Estimated Economic Impacts in Naval Ordinance Station Primary Impact Area

	Direct	Indirect	Total
Employment	-2,510	-1,771	-4,281
Personal Income (Million 1988$)	NA	NA	-$90.4

Implications

Since the employees of the NAVORDSTA are engaged in a manufacturing activity, the most obvious source of employment for displaced workers would be the manufacturing sector. However, the past declines in the manufacturing employment share and the relatively weak economic growth of the area may serve as an obstacle to absorption of displaced workers. The relatively low unemployment rates of the area and the growth in other sectors suggest that jobs may be available in these sectors. The versatility and skills of the workers will be a factor in future employment possibilities.

CHAPTER III

COMMUNITY AND BASE RESPONSE TO DEFENSE REDUCTIONS

U.S. Army Armor Center & Ft. Knox

The planned reduction and realignment of Fort Knox have begun. The 194th Armored Brigade has been scaled down to the smaller size of a Task Force, with approximately 1,000 soldiers reassigned. No new soldiers have been received in the 194th Armored Brigade. The Base Operations function has also been reduced. The original reduction in force (RIF) affected two hundred civilian personnel. In actuality only two civilian employees were laid-off. The remainder either "bumped" other employees because of their seniority, were reassigned to unfilled positions, retired or transferred. According to Ft. Knox Public Affairs Officer, a current hiring freeze allowed some employees to take positions which otherwise would remain vacant. However, the total loss to the civilian personnel will still eliminate 116 positions by the end of FY 1991.

The movement of TEXCOM to Fort Hood, Texas, has now begun. The 4th Training Brigade has been reduced by one battalion headquarters and three training companies. However, no military personnel can be separated from the military until after Operation Desert Shield is completed. Approximately 560 soldiers left their families in the Radcliff area, as they were reassigned and transferred to Saudi Arabia. Therefore, schools have not experienced the expected exodus of students. But many houses and apartments in Radcliff are vacant, according to one community leader who was interviewed.

Military and Community Initiatives

Ft. Knox received federal assistance funding from the Displacement of Personnel legislation, which provides training for employees. A career seminar and a training session were conducted on how to prepare a resume and how to deal with stress. Representatives from thirty-three agencies and corporations participated in a job fair. Four thousand, three hundred attended and 5,500 applications were taken. Employees could provide resumes and talk to representatives of such businesses and organizations as the FBI, Federal Express, Colgate-Palmolive, Ralston Purina, the Post Exchange and R. J. Reynolds.

Because of the success of this job fair, the Department of the Army has funded an outplacement employment assistance program called Army Career and Alumni Program. A representative of the Civilian Personnel Office said that this program will allow funding of future job fairs at Ft. Knox.

Some community representatives, such as Radcliff businessman and President of the Association of the United States Army, Steve Montgomery, believe that the long-term future of Ft. Knox is positive. An article in *The News-Enterprise* said that Mr. Montgomery:

> . . . feels Ft. Knox is effectively competing for several potential new missions.
>
> Two of them include the chemical center and military police school at Fort McClellan, Alabama. That post has been targeted for possible closure.[12]

The Association of the United States Army acts as a lobby for army soldiers' rights and benefits. Locally, it lobbies Congress concerning the needs of Ft. Knox. Currently, it is concerned with construction projects that would modernize the facilities, making Ft. Knox more attractive for future missions. Improvement projects at Ft. Knox include a new primary sewage treatment plant, to avoid environmental regulation violations; a Porter River Road Bridge, to expand tank driver training capacities; the YANO Multi-Purpose Range Complex and the Automated Field Fire Range, to enhance training; the building of a tank drive training facility and army family housing air conditioning; and a combat pistol range and energy monitoring control extension. Unfortunately, construction funds have been frozen, due to expenses being incurred by Operation Desert Shield.

Mr. Roye S. Wilson, Vocational Education Region 5 Executive Director, reported that the assessment center at Fort Knox refers individuals to Elizabethtown State Vocational School and the Elizabethtown Community College, and also for employment. There are more students from the North Hardin area at these schools than from any other area.

Mr. Wilson also observed that while "employment is up in the county and there is some construction in Elizabethtown, there are many houses and apartments vacant in Radcliff. Retail business in the North Hardin area will continue to be adversely affected." (See Appendix D for correspondence from Mr. Wilson.)

Dr. J. Michael Sarver, Director of the Elizabethtown Industrial Foundation, Elizabethtown Community College, has been involved in coordinating resources, in order to provide training specifically tailored for industry demands. He has to operate on the assumption that many production workers do not have a high school education and have skills that are outdated. He believes seed money is necessary throughout Kentucky to expand training by a state program called Bluegrass State Skills.

The Likelihood of Base Closing
Naval Ordnance Station, Louisville

On December 7, 1990, the *Courier-Journal* reported that Louisville's Naval Ordnance Station appeared to have escaped a base-closing "hit list". In fact, the military freeze was lifted, so 107 production workers could be hired. The Ordnance Station produces and repairs critical parts used for mobilization in the Persian Gulf.[13]

As mentioned in Chapter I, the Defense Budget bill nullified the previous process of selecting base closures. Thus, the January 29, 1990, list of base-closures announced by Secretary Cheney is not necessarily accurate. An independent bi-partisan commission is required to review the Secretary's list and suggest changes. However, specific selection

criteria are also required. This selection process is viewed as less partisan and more objective. Individuals advocating that NAVORDSTA remain open are optimistic that the new commission will not select the Naval Ordnance Station for closure. The high cost of closure compared to the low amount of savings is another reason for optimism. Additionally, the military construction appropriation bill provides $5.6 million to modernize a computer anti-missile system called "Phalanx" at NAVORDSTA, according to an aide to U.S. Representative Romano Mazzoli. This system is used on most naval ships, including those in the Persian Gulf, and is one more reason NAVORDSTA should remain open.

At the August 30, 1990, meeting of the Interim Joint Committee on Economic Development and Tourism, Mr. Denny Crouch, representing the Naval Ordnance Station, said that their workload is expanding. NAVORDSTA facilities include 1.6 million square feet of industrial floor space, valued at $191 million. Mr. Crouch testified that their equipment is valued at $248 million and the Station has the Navy's largest collection of numerically-controlled machine tools for the Navy, making it a very modern plant. (See Appendix E for complete minutes of August 30, 1990, Committee meeting.)

Reduction in Force
Lexington-Blue Grass Army Depot

The Lexington-Blue Grass Army Depot was listed in the 1989 report of the Defense Secretary's Commission on Base Realignments and Closures. Commission recommendations were approved by the Secretary of Defense in December, 1988 and Congress took no action to overturn the Secretary's report. Thus, the realignment plan went into effect.

At the August 30, 1990, Interim Joint Committee on Economic Development and Tourism's meeting, the Public Affairs Officer, Mr. Robert Armogeda, updated the Committee on the Depot's activities. Mr. Armogeda noted that some of the actions involved in the Base Realignment and Closure (BRACO) are: transfer of supply missions and materiel readiness support activity (MRSA, their largest tenant organization) to Letterkenny Army Depot in Pennsylvania; transfer of communications-electronics mission to Tobyhanna Army Depot (also in Pennsylvania); transfer of the central test measurement activity to Redstone Arsenal in Alabama; and closure of the Lexington facility. He noted that there are a lot of activities that must take place before the facility can close, including preparation by the Army Corps of Engineers of an environmental impact study. In December, 1988, there were 2,338 employees, including the tenant organizations; after the closing there will be 721—a loss of 1,617 positions. The remaining operations are to be moved to Richmond, Kentucky, by FY 1994. Mr. Armogeda said they will start to use the name Blue Grass Army Depot rather than Lexington-Blue Grass. The final disposal date is planned for September, 1995.

The Department for Employment Services (DES), through its Rapid Response Team, enrolled approximately one hundred Depot employees in the Kentucky Dislocated Worker Program. Approximately 192 employees received lay-off notices on August 9, 1990, to be effective October 12, 1990. On August 13th and 14th the Rapid Response Team

took applications at the Avon site, and on August 15th the Team took applications at the Richmond site. In all, one hundred employees enrolled in the program.

However, as of the middle of October, only two employees were actually laid off. The remainder either retired or transferred to other military installations, through an aggressive out-placement service. The Office of Personnel Management in Washington gave the Depot Civilian Personnel Office blanket authorization to register everyone in the Priority Placement Program, where they are given priority for federal jobs in other agencies. As a result, with reassignments that have been accomplished before the separation took place, October 12th, and with Congress offering a generous voluntary early retirement plan, there is a complete reassessment of the need for a reduction in force, as a means to eliminate positions.

The Lexington-Blue Grass Army Depot Redevelopment Committee is studying possible future uses of the Depot. Ted Broida is the Project Manager of the Redevelopment Committee. The committee of fifteen local leaders was organized last year by U.S. Representative Larry Hopkins. Among others, the committee includes the President of the University of Kentucky, the Lexington-Fayette Urban-County Government Mayor, the Governor, Kentucky Utilities' President, the Director of the Chamber of Commerce, and other business leaders.

Based on a request by Congressman Hopkins, the Office of Economic Adjustment (OEA), within the Office of the Secretary of Defense, provided planning assistance to the Redevelopment Committee. OEA provides assistance to local or state governments in the form of consultation and financial planning grants. The Lexington-Blue Grass Army Depot Redevelopment Committee received a $100,000 planning grant.

Mr. Broida explained that once the DoD environmental impact statement is available next summer, the committee will know how much effort an environmental cleanup will take. This will also help determine the marketability of the properties.

The Corps of Engineers is involved in solicitation of bids for the properties. Federal agencies have the first opportunity to purchase them, followed by the state and local governments. However, the DoD is attempting to sell the properties for their fair market value, rather than giving them away for a nominal charge.

To date, the State Fish and Wildlife Department has shown interest in 580 acres of open space, as has the Lexington-Fayette Urban-County Government. Mr. Broida suggested that the National Parks Department may intervene on behalf of the City-County Government for its use as a public recreational park.

The Depot also contains two million square feet of warehouse buildings on an additional two-hundred acres. These facilities would be suitable for conversion to a light manufacturing plant. A combination public park and light manufacturing center would allow the area to recover from some of the employment losses due to reductions in force.

Indiana Bases Employing Kentuckians

Jefferson Proving Ground (JPG)
Madison, Indiana

JPG Function. Colonel Dennis E. O'Brien, U.S. Army, discussed the function and status of the Jefferson Proving Ground at the August legislative committee meeting. There are 442 employees at JPG, and three military positions. Col. O'Brien said that JPG spends approximately 50% to 55% of all its procurement dollars in Kentucky; forty-four of the civilian personnel assigned to JPG live in Kentucky. He added that Jefferson Proving Grounds is on the base closure list, and is scheduled to move to Yuma Proving Grounds (YPG) in fiscal years 1994 and 1995. It will cost between $100 and $200 million in construction, overland move, organization and maintenance money to move to Arizona.

Jefferson Proving Ground does 85% to 90% of all the munitions testing for the Army. It also tests some conventional ammunition used by the Air Force, Navy and Marines. Jefferson Proving Ground is part of the Test and Evaluation Command (TECOM). The Colonel said they test fire 50,000 to 85,000 rounds downrange per year; he said no other facility in the United States fires that volumn of ammunition. Col. O'Brien said that they are the only TECOM installation on any base closure schedule at this time.

JPG contains 55,264 acres (nineteen miles long and five miles wide) and is laid out in such a manner as to allow volume ammunition testing. JPG is forty-five miles from Louisville. The facility was designed in the late 1930's and can handle 1500 to approximately 16,800 lots of ammunition (wartime rate). He pointed out that the new YPG facilities are designed and approved only to meet peace-time rates of production, while JPG can handle mobilization requirements with no additional structures, only additional personnel. He showed a workload source map showing JPG as more centrally located to the production plants than YUMA.

Impact of JPG Closure. JPG was included in the 1988 Base Closing Commission's report for closure. Using information from an economic impact study, Col. O'Brien showed a decrease in regional sales volume of $47.7 million, a primary/secondary impact of a 940-person decrease, and a decrease in regional income of $17.4 million. By percentage, these figures are minus 5.3% of regional sales volume, minus 2.6% of employment, and minus 1.6% of the population. Additional information showed a 230 decrease in children attending public school, a 407-unit decrease in occupied housing, and loss of a disproportionate share of middle class with disposable income. JPG average salary is $10,000/year greater than that for the comparable job in the region. (See Appendix F for correspondence from JPG.)

The statute which Congress provided the Base Closing Commission said that environmental costs were not to be considered in selecting closure sites. Therefore, environmental costs in closing JPG were not included in the calculation. However, the cost to clean up the properties may be prohibitive. According to a staff aide to U.S. Congressman Lee H. Hamilton of Indiana, it may cost government "billions to save millions," and JPG may be one of the worst cases of environmental hazards for a conventional weapons system site.

Col. O'Brien said that thirty-six potential JPG cleanup sites have been identified; they are landfills, and many contain farm wells, which JPG condemned when it began construction in 1939. In the worse case scenario it would cost $56 million to clean all thirty-six sites.

The key areas for cleanup at JPG are unexploded ordnance and depleted uranium (DU); depleted uranium tank ammunition is fired at JPG. It is low-level radioactive, 2 1/2 times as heavy as steel, and a great tank killer. The only environmental hazards, Col. O'Brien said, would be if you ate it. He reminded the committee that JPG is NRC-licensed, and that they monitor the soil, surface and ground water, and deer tissue (there are between 9,000 and 12,000 deer on the 55,000 acres). Employees collect the DU after it is fired; they recover approximately 25%. This area (about twice the size of Central Park in New York) would have to be cleaned up.

The single greatest problem in an environmental cleanup at Jefferson Proving Ground is unexploded munitions. Approximately 95% to 97% of the grounds would have to be investigated for unexploded ordnances. There have been twenty-three million rounds fired at JPG since 1941; an estimated 1.5 million high explosive duds remain. He pointed out that a metal detector cannot distinguish between exploded and unexploded munitions, and therefore each one must be treated as live. The cost of surface cleanup is estimated to be $550 million, according to a report prepared for the State of Indiana. However, Col. O'Brien said estimates to do a sub-surface, unrestricted cleanup could cost up to $5.0 billion.

Indiana Army Ammunition Plant (INAAP)
Charlestown, Indiana

INAAP Function. Indiana Army Ammunition Plant is a military-industrial, government-owned, contractor-operated facility, one of fifteen active army ammunition plants and eleven inactive plants in the United States, which are clustered primarily in the eastern half of the country. Lt. Col. Charles G. Kerley, Commander of the Indiana Army Ammunition Plant, told the legislative committee at its August meeting that the plants were intentionally clustered when they were developed in the 1940's; the idea was to locate them away from the coastlines for protection.

INAAP is fourteen miles north of Louisville. There are two military, twenty-six government civilian and 990 contractor personnel at INAAP. The contractor operating the plant is ICI Americas. They have a cost plus award fee contract for the calendar year (CY) of 1990 of approximately $65.9 million. One-hundred seventy-five of the total employees are Kentucky residents, compared to 425 in calendar year 1989. In 1989 INAAP had total procurements from Kentucky of $25.4 million. The contract funds in CY 1989 were $95 million. This was reduced to $13.7 million by 1990. (See Appendix G)

INAAP manufactures propellant charge bags, the charges used by howitzers and mortars to propel the rounds downrange. INAAP does not currently produce the propellant. INAAP is the only propellant bag manufacturing facility that loads, assembles and packs mortar charges (60,8 1MM and 4.2 inch) and howitzer propellant charges (105,155, 175MM and 8 inch), and the only one to produce the Ti02 wear-reducing liner. INAAP is the

only propellant container renovation facility, and the only DoD black powder manufacturing facility in the western hemisphere (there is a civilian one, which currently produces all the black powder used). INAAP's black powder facility is in lay away. Also in lay away is the largest single-base nitrocellulose facility. "Lay away" is a military status meaning closed down but not dismantled, so that if the facilities are needed in the future they can begin production more quickly.

Impact of INAAP Closure. INAAP has 10,649 acres, 4.7 million square feet under roof, 291 explosive magazines, with 67,862 tons capacity, and 185 miles of intra-plant roads. There are eighty-six miles of railroads, which includes two active engines. The original acquisition cost was $240 million and the estimated replacement cost is $1.6 billion. INAAP is scheduled for production through FY 1992; at that point it is to go into a base lay-away status.

Currently there are adequate ammunition stockpiles; the closure of INAAP would not create an immediate short-fall. There are fifteen active plants; six are going to be closed. There are forty-nine government living quarters on the facility, along the banks of the Ohio. As a part of the Base Realignment and Closure Act, 863 acres were identified as excess property. They are in the process of conducting an environmental assessment of those acres, involving the northern portion of the plant. The state of Indiana is interested in turning that area into a park; it is also believed to contain some indian burial grounds. Thus, there is a great deal of environmental concern for the area.

CHAPTER IV

LEGISLATIVE AND EXECUTIVE STATE GOVERNMENT RESPONSE TO MILITARY CUTBACKS

Economic Development and Tourism Committee Action

In response to SCR 74, the Interim Joint Committee on Economic Development and Tourism requested committee staff to conduct a study and write a research report in accordance with the resolution requirement. Also the Committee held a public hearing at the NCO Club, Fort Knox, Kentucky, on August 30, 1990. Comments were given regarding the current and potential impacts of reductions in defense spending on Kentucky's economy. Speakers included: Col. Claude W. Abate, Chief of Staff, U.S. AARMC & Ft. Knox, Kentucky; Col. Dennis E. O'Brien, U.S. Army, Jefferson Proving Grounds, Madison, Indiana; Lt. Col. Charles G. Kerley, Commander, Indiana Army Ammunition Plant, Charlestown, Indiana; Mr. Robert Armogeda, Chief of Public Affairs, Blue Grass Army Depot, Lexington, Kentucky; Mr. Dennis Crouch, Technical Staff, Naval Ordnance Station, Louisville, Kentucky; Mr. Wendell Lawrence, Lincoln Trail Area Development District, Elizabethtown, Kentucky; Dr. J. Michael Sarver, Director, Elizabethtown Industrial Foundation Training, Elizabethtown Community College, Elizabethtown, Kentucky; and Mr. Steve Montgomery, Association of the U.S. Army, c/o Montgomery Imports, Radcliff, Kentucky. Selected comments from the meeting's testimony have been included in this report. (The full text can be found in Appendix H.)

As an outgrowth of the August 30th meeting two resolutions were drafted and approved by the Committee at its September 28, 1990, meeting. One resolution urged President Bush and Congress to fund construction of the Porter River Road Bridge and other critical construction projects at the U.S. Army Center and Fort Knox. The other resolution urges President Bush and the Congress not to close the Naval Ordnance Station, Louisville. Both resolutions were sent to the President and the members of Kentucky's Congressional delegation. The resolution concerning the Naval Ordnance Station was also sent to Secretary Cheney.

Executive Agency Action

In an attempt to understand state government's role in mitigating economic losses and easing economic adjustment, inquiries were sent to the Secretaries of the Cabinet for Economic Development, the Workforce Development Cabinet, and the Department for Employment Services.

The Cabinet for Economic Development reported that the Division of Research and Planning prepared impact data concerning the closure of the Naval Ordnance Station, Louisville. The Cabinet has not been involved in assessing the impact of DoD cutbacks on businesses with procurement contracts or subcontracts. The Cabinet has not targeted

economic development funds, loans, grants or support services to businesses in or around military installations as a means of mitigating the effects of cutbacks. But when asked what activities the Cabinet for Economic Development could target for these areas and businesses, the Cabinet commented that it could:

> . . . attempt to offset losses by stimulating new business investment and jobs in the labor area affected . . . [and] use state appropriated funds for conversion of vacant defense facilities to industrial commercial use. (See Appendix I for survey responses.)

The Cabinet for Workforce Development reported that the Vocational Education Region 5 office has been involved in assessing the workforce impact at Fort Knox. The vocational education system has an assessment center at Fort Knox. According to Roye S. Wilson, Regional Executive Director:

> We promote our assessment center at Fort Knox and have made many referrals to the vocational school, the community college, and to employment. I think it is pertinent to point out that there are more students from the North Hardin area at the Elizabethtown State Vocational-Technical School and the Elizabethtown Community College than from any other area.[14]

The Cabinet also reported that the Region 15 Training and Development Specialist, Ted F. Nicholson, has been targeting employment services and re-training opportunities to individuals at the Lexington-Blue Grass Army Depot at Avon.

Mr. Nicholson reported that customized on-site training has been provided at the Depot for approximately four years. Training to assist in employment possibilities has been primarily in computer software. In January, 1991, vocational training should begin in part-time health programs, such as L.P.N., Surgical/Technical, and Medical Assistants. Training in the industrial area will be limited also to part-time, such as electronics, blueprint reading, mathematics, and hand tools. According to Mr. Nicholson, these courses can be transferred at Kentucky Tech - Central Campus.

When asked what activities the Cabinet should target for these areas and businesses, the response included the suggestion that "we can customize programs specific to those being displaced. We can enroll in retraining programs. We are willing to set up off-site as well as school programs." (See Appendix J for survey responses.)

The Department for Employment Services (DES) reported that the Dislocated Worker Program under the Job Training and Partnership Act (JTPA Title III) has provided training to personnel at the Lexington-Blue Grass Army Depot. When asked what activities the Department should target for this problem, the Department suggested coordinating programs with other agencies to avoid duplication of services. (See Appendix K for survey responses.)

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FOOTNOTES

1. Mike Mills, "Cheney's Endangered-Bases List", Congressional Quarterly, February 3, 1990, p. 341.

2. Diana Gregg, "Defense—Analysts Say States Better Able to Adjust to Cuts in Military Spending," The Bureau of National Affairs, Inc., Washington, D.C. 1990.

3. "States' Defense Dislocation Ranked As Debate Heats Up in Congress," Council on Economic Priorities press release.

4. Federal Procurement Data System, "Federal Procurement by State Actions Reported Individually on SF 279 Fiscal Year 1988 Through Fourth Quarter," February 2, 1989.

5. "Final Congressional Action on the FY 1991 Defense Budget: Authorization and Appropriations." Defense Budget Project, November 7, 1990. p.2

6. *The Economic and Budget Outlook: Fiscal Years 1991-1995*, 1990 Annual Report, Congressional Budget Office, January 1990.

7. Data for the U.S. Armor Center analysis was obtained through correspondence with the Directorate of Resource Management, Department of the Army, U.S. Armor Center and Fort Knox. Copies of correspondence replicated in the Appendix.

8. Data for the Lexington-Blue Grass Army Depot analysis was obtained through correspondence with Colonel William R. Hambaugh, Commanding Officer, Lexington-Blue Grass Army Depot, Department of the Army. Copies of correspondence are replicated in the Appendix.

9. Lynch, Lawrence K., *The Economic Impact of Closing the Lexington Army Depot at Avon*, Unpublished Paper, February, 1990.

10. *Draft Environmental Impact Statement for proposed Base Closure/Realignment of Naval Ordinance Station, Louisville, Kentucky*, Atlantic Division, Naval Facilities Engineering Command, Norfolk, Virginia, August, 1990.

11. Wilson, Virginia, *Patterns of Growth and Decline in the Kentucky Economy, 1969-1988*, Research Memorandum 437, Legislative Research Commission, November, 1989.

12. *The News-Enterprise*, "Knox future is as solid as armor," Sunday, October 21, 1990.

13. *The Courier-Journal*, "Government to let Naval Ordnance add 107 workers," Friday, December 7, 1990, p. C1.

14. Letter to Audrey Carr, Deputy Commissioner, Dept. of Adult and Technical Education from Roye S. Wilson, Regional Executive Director, October 4, 1990.

15. Kentucky Dislocated Workers Program, Cabinet for Human Resources, Department for Employment Services, Frankfort, KY.

APPENDICES

APPENDIX A

Cheney's Endangered-Bases List

Defense Secretary Dick Cheney proposes to close a total of 47 bases: 35 in the United States and 12 overseas. Shutdown of the domestic bases would affect an estimated 63,775 military and 52,269 civilian workers. Twenty-nine of the bases, with 58,529 military and 49,012 civilian employees, are in districts represented by Democrats.

The 12 overseas bases employ 8,326 military and 800 civilian workers. In all, the 47 closings could affect 72,101 military and 49,812 civilian employees.

	Service	Location	Jobs at Stake: Military/ Civilians	Shutdown Target Date	Congressional Representative, Party
ALABAMA:					
Fort McClellan	Army	Anniston	2,691/1,455	FY1993	Glen Browder, D
ARKANSAS:					
Eaker AFB	AF	Blytheville	2,934/313	FY1992	Bill Alexander, D
CALIFORNIA:					
Alameda Naval Aviation Depot	Navy	Alameda	35/4,200	FY1992	Pete Stark, D
Alameda Naval Air Station	Navy	Alameda	11,410/1,200	FY1992	Pete Stark, D
El Centro Naval Air Facility	Navy	El Centro	290/99	FY1992	Duncan Hunter, R
Fort Ord	Army	Seaside	14,849/2,294	FY1992-93	Leon E. Panetta, D
Long Beach Shipyard	Navy	Long Beach	37/5,116	FY1992	Glenn M. Anderson, D
Los Angeles Air Force Base	AF	Los Angeles	1,859/1,543	FY1991	Mel Levine, D
Moffett Field Air Station	Navy	Mountain View	4,950/400	FY1992	Tom Campbell, R
Oakland Hospital	Navy	Oakland	1,400/600	FY1992	Ronald V. Dellums, D
Oakland Naval Supply Center	Navy	Oakland	1,560/3,300	FY1992	Ronald V. Dellums, D
Sacramento Army Depot	Army	Sacramento	16/3,505	FY1992-93	Robert T. Matsui, D
Treasure Island	Navy	San Francisco	2,180/400	FY1992	Nancy Pelosi, D
INDIANA:					
Army ammo plant	Army	Charlestown	1/1,159	FY1993	Lee H. Hamilton, D
KANSAS:					
Sunflower Army ammo plant	Army	Lawrence	2/739	FY1994	Jim Slattery, D
Army ammo plant	Army	Parsons	2/917	FY1993	Bob Whittaker, R
KENTUCKY:					
Naval Ordnance Station	Navy	Louisville	12/2,350	FY1992	Romano L. Mazzoli, D
LOUISIANA:					
Army ammo plant	Army	Minden	2/1,401	FY1993-94	Jim McCrery, R
MASSACHUSETTS:					
South Weymouth Naval Air Station	Navy	S. Weymouth	450/200	FY1991	Brian Donnelly, D
MICHIGAN:					
Detroit Army Tank Plant	Army	Warren	TBD/TBD [1]	FY1992	Dennis M. Hertel, D
Detroit Naval Air Facility	Navy	Detroit	130/72	FY1991	David E. Bonior, D
MISSISSIPPI:					
Army ammo plant	Army	Picayune	2/1,815	FY1990-91	Gene Taylor, D
MISSOURI:					
Troop Support Command	Army	St. Louis	54/1,530	FY1991-94	Ike Skelton, D
Regional Office	DLA [2]	St. Louis	0/425	FY1991	William L. Clay, D
NEW YORK:					
Regional Office	DLA	New York	0/470	FY1991	Ted Weiss, D
OHIO:					
Regional Office	DLA	Cleveland	0/470	FY1991	Mary Rose Oakar, D
Lima Tank Plant	Army	Lima	TBD/TBD	FY1992-93	Michael G. Oxley, R
PENNSYLVANIA:					
Army ammo plant	Army	Scranton	2/440	FY1993-94	Joseph M. McDade, R
Philadelphia Naval Station	Navy	Philadelphia	1270/1500	FY1992	Thomas M. Foglietta, D
Philadelphia Shipyard	Navy	Philadelphia	9,200/11,200	FY1992	Thomas M. Foglietta, D
SOUTH CAROLINA:					
Myrtle Beach AFB	AF	Myrtle Beach	3,260/484	FY1992	Robin Tallon, D
TEXAS:					
Longhorn ammunition plant	Army	Karnack	2/873	FY1994	Jim Chapman, D
Chase Field Naval Air Station	Navy	Beeville	780/500	FY1992	Greg Laughlin, D
Bergstrom AFB	AF	Austin	4,395/907	FY1990/92	J. J. "Jake" Pickle, D
Regional Office	DLA	Dallas	0/392	FY1991	John Bryant, D

[1] *To be determined.* [2] *Defense Logistics Agency*

—Compiled by Sharon Perkinson

APPENDIX B

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY ARMOR CENTER AND FORT KNOX
FORT KNOX, KENTUCKY 40121-5000

October 15, 1990

REPLY TO
ATTENTION OF:
Directorate of Resource Management

15

Ms. Donna Cantrell
Room 24, Capitol Annex
Legislative Research Commission
Frankfort, KY 40601

15 OCT 1990

Dear Ms. Cantrell:

In response to your recent request, the following information is provided to assist in your economic analysis.

a. During fiscal year (FY) 90 and 91 the following three force realignment actions will adversely affect or have already affected the Fort Knox manpower and funding posture.

- REDUCTION/REALIGNMENT OF THE 194TH SEPARATE ARMORED BRIGADE. This action resulted in a reduction of 3,010 military authorizations on 30 September 1990. Associated changes in medical personnel include loss of 43 military and an increase of 16 civilian authorizations in fiscal year 1991.

- REDUCTION OF BASIC TRAINING. Budget reductions and a smaller active and reserve force have resulted in a reduced Army training base. Consequently, the 4th Training Brigade at Fort Knox was reduced by three basic training companies and one battalion headquarters. This resulted in a net loss of 20 military and 7 civilian positions. Additionally, the average daily basic trainee population at Fort Knox was reduced by 330.

- RELOCATION OF TEST AND EXPERIMENTATION COMMAND (TEXCOM) ARMOR AND ENGINEER BOARD (AEB). The TEXCOM realignment will downsize and centralize a number of test boards at Fort Hood, Texas, during FY 1991. The TEXCOM AEB is one of the affected test boards. Relocation will result in a loss of 165 military, 125 permanent civilian, and 62 temporary civilian positions at Fort Knox. A residual three person Test Development and Coordination Cell will be established at Fort Knox for coordination of armor tests and evaluations.

b. During FY 92, Fort Knox is programmed to receive the Air Base Ground Defense (ABGD) school from Fort Dix, New Jersey. This school will teach basic ground combat skills to an average daily load of 440 Air Force students. This added mission will increase our assigned permanent party strength by 204 military and 26 civilian positions.

Enclosure 1 contains specific information requested in your letter. Enclosure 2, a command data summary booklet, provides additional demographic and statistical data that you may find useful.

I hope that the information provided will assist you in completing your survey. Should you require further assistance, please do not hesitate to contact me or my point of contact, Mr. Dan Jenkins from the Directorate of Resource Management. Mr. Jenkins can be reached at (502) 624-1016/6233.

Sincerely,

for R. L. Cafe LTC(P) DIR, Resource Mgt

CLAUDE W. ABATE
Colonel, GS
Chief of Staff

Enclosures

1. a. Fort Knox Procurements:

	(Dollars in Millions) FY 89	FY 90
Utilities	8.1	7.9
Transportation (Persons)	6.3	2.5
Transportation (Things)	4.2	7.9
Professional Services	100.3 60.6 (KY)	99.6 70.4 (KY)
Commissary and PX	44.9	46.8

b. Estimated reduction in procurements resulting from base realignment:

$8.3 million for FY 91.

2. Total number of civilian personnel: 4,313 positions (Beginning FY 90)

Number eliminated by realignment by end of FY 91:
116 positions (62 temporary positions will also be lost.)

Number gained from receiving ABGD by end of FY 92:
26 positions

3. Total number of military personnel: 13,059 positions (Beginning FY 90)

Number eliminated by realignment by end of FY 90:
Permanent party military : 3,010

Number eliminated by realignment by end of FY 91:
Permanent party military : 228
Basic training soldiers : 330 (8%)(Avg daily load)

Number gained from receiving ABGD by end of FY 92:
Permanent party military : 204
Air Force students : 440 (10%)(Avg daily load)

4. Average per person annual wages for affected military personnel: $18,467
(Does not include basic training soldiers whose average wages are $8,249)

5. Average per person annual wages for affected civilian personnel: $29,200.

6. An occupation description and general categorization of civilian personnel at Fort Knox.

-There are 4,142 Civil Service workers employed at Fort Knox. Of this total, 29% are Wage Grade or "blue collar" workers and 71% are categorized as General Schedule or "white collar". Within the General Schedule, 11% are in professional occupations, 22% are in administrative jobs, 20% work in technical jobs, 45% are clerical, and 2% are in miscellaneous occupations. The specific types of General Schedule jobs which gave the largest number of employees are general clerical, medical, personnel/administration, instruction/education, and supply. Within the Wage Grade or "blue collar" occupations, a majority of the workers can be found in automotive/tank maintenance and repair, warehousing, and mobile equipment operator jobs.

-There are 779 Nonappropriated Fund (NAF) employees at Fort Knox. The primary occupations of these NAF workers are custodial services (25.5%), child care (15.9%) and recreation aids (7.8%). Other types of jobs found within the NAF community are bar tenders, food service workers, and a variety of other administrative, clerical, and support functions.

-The Fort Knox Dependent School system employs 481 civilian workers. More than half of these (51%) are teachers. The remaining workers are in school support functions (i.e., counselors, teachers' aids, school nurses, clerical workers, administrative/supervisory staff) or service functions (i.e., food service, janitorial).

-Another civilian employer at Fort Knox is the Army Air Force Exchange Service (AAFES). AAFES has 573 civilian workers of which 61% are in retail sales jobs. The remaining civilians work in food service, theatre concessions, or administrative occupations.

-Fort Knox also has several operations that are run through contract with private industry. These include custodial services, laundry workers, food service workers, and other miscellaneous government service type functions. In addition to these continuing/long-term contracts, many different construction contracts are normally awarded throughout each year to perform specific construction/repair jobs.

-In summary, there are 5,975 civilians employed at the Fort Knox military installation. There are many other civilians who work for private contractors on the base. The occupations of all of these workers cover most lines of work, from minimum wage unskilled workers through professional occupations with upper level salaries.

7. Percent of personnel living on base: 80.3%

Will this change after realignment?

The reduction of personnel associated with these actions will affect the local area housing markets. Demand for rental housing is predicted to decrease by 970 units. Approximately 560 owner occupied units will be placed on the market.

On-post housing should continue to be used at its current rate. The family quarters occupied by departing soldiers should be made available to soldiers in other units currently on the family housing waiting list. Most vacancies in the on-post quarters will be filled by newly arriving personnel rather than by soldiers who currently reside off-post. This may result in a temporary increase in vacancy rate as the quarters are expected to be vacated at a much faster rate than are back-filled.

8. Can you supply a time frame for these proposed reductions?

Actions and time frames are described in accompanying cover letter.

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY ARMOR CENTER AND FORT KNOX
FORT KNOX, KENTUCKY 40121-5000

November 19, 1990

REPLY TO
ATTENTION OF:

Directorate of Resource Management

Ms. Donna Cantrell
Room 24, Capitol Annex
Legislative Research Commission
Frankfort, KY 40601

Dear Ms. Cantrell:

The following data are provided in response to your request for a written follow-up to information submitted to you telephonically on October 29, 1990.

a. Percent of soldiers affected by the three realignment actions (194th Armored Brigade, TEXCOM Armor and Engineer Board, and Basic Training) living On Post: 58%.

b. Percent of single/married personnel affected by the realignment actions: 11% Single, 89% Married.

c. Average size of military families at Fort Knox: 3.6 persons (including the military sponsor).

I hope this information will assist you in completing your survey. Should you require further assistance, please do not hesitate to contact me or my point of contact, Mr. Dan Jenkins from the Directorate of Resource Management. Mr. Jenkins can be reached at (502) 624-1016/6233.

Sincerely,

LAWRENCE W. MCCABE III
Lieutenant Colonel (P), Aviation
Director of Resource Management

APPENDIX C

DEPARTMENT OF THE ARMY
HEADQUARTERS, LEXINGTON-BLUE GRASS ARMY DEPOT
LEXINGTON, KENTUCKY

October 3, 1990

REPLY TO
ATTENTION OF

Office of Commander

Ms. Donna Cantrell
Room 24, Capitol Annex
Legislative Research Commission
Frankfort, KY 40601

Dear Ms. Cantrell:

Reference: Letter dated September 24, 1990, regarding the 1990 Kentucky General Assembly directing the Interim Committee on Economic Development and Tourism to study the potential impacts of reductions in defense spending on the economy of Kentucky.

The information you requested in order to adequately evaluate the economic impacts of the Base Realignment and Closure of Lexington-Blue Grass Army Depot is enclosed. Most of the cost data includes expenditures for both facilities (Lexington and Blue Grass) with the exception of utilities cost data; utilities cost is for the Lexington facility only. There is no easy means of dividing the elements of cost by facility; however, you may prorate the cost by using 75 percent for the Lexington facility.

I hope this data will assist you in preparing your Economic Impact Study. The point of contact for this action is Tom Ciranna, Chief, Base Realignment and Closure, telephone: (606) 293-3971. If we can be of any further assistance to you or the members of the Legislative Research Commission, please do not hesitate to call.

Sincerely,

William R. Humbaugh
Colonel, Ordnance
Commanding Officer

Enclosure

Lexington-Blue Grass Army Depot
Economic Data
for
Legislative Research Commission
October 3, 1990

1. Purchasing and Administration Data Request.

Type of Purchase:	Depot Purchase Order and Quick Buy	Anniston
Within 50 Miles	$ 3,400,506.00	$ 4,746,620.00
Outside 50 Miles	988,568.00	

2. Purchases of Utilities.

Type of Utility	Company	Purchases
Electric	Kentucky Utilities	$ 662,359.00
Water	Kentucky American Water	51,356.00
Natural Gas	Columbia Gas	18,838.00
Telephone	GTE	135,200.00
Coal	RBS Cincinnati, Ohio	218,000.00
Oil	Hornsby - Somerset, KY	32,500.00
Propane	Contractor	29,500.00
Total Utility Purchases:		$ 1,144,753.00

3. Transportation.

Outgoing	$ 4,827,317.00
Incoming	----------

4. Engineering.

Engineering Services Purchases	$ 717,700.00
U. S. Corps of Engineers	5,518.506.00
USDA Soil Conservation Service	285,000.00
Total Engineering Purchases:	$ 6,521,206.00

5. Non-Appropriated Funds.

Within 50 Miles:	
Resale Merchandise	$ 129,847.00
Maintenance/Supplies/Services	47,461.00
Outside 50 Miles:	
Resale Merchandise	$ 27,500.00
Maintenance/Supplies/Services.....	4,665.00
Non-Appropriated Funds Purchases:	$ 209,473.00

6. Commissary and PX.

Food and Beverages	$ 1,200,000.00
PX	2,000,000.00
Total Commissary and PX Purchases:	$ 3,200,000.00

7. Detachment 8.

Purchases (Wright Patterson)	$ 3,200.00
Utilities	48,516.00*
Office Equipment Service	2,000.00
Misc. Services	9,300.00
Supplies	14,484.00
Total Detachment 8 Purchases:	$ 38,984.00

*Reimbursed to Lexington-Blue Grass Army Depot

8. Civilian and Military Personnel.

	Present	Affected	Proposed
Civilian:	1820*	1109	711
Military:	40	30	10
Total:	1860	1139	721

*Annex C (1365) and GOCO (455)

9. Occupation Description and General Categorization.

There are over 600 job classifications that comprise the workforce at the Lexington-Blue Grass Army Depot; this includes both facilities (Lexington and Richmond). The Lexington facility is slated to close in the FY94/95 timeframe, and a percentage of the Lexington depot employees will relocate to the Richmond facility. An accurate account of job classification losses cannot be stated at the present.

10. Annual Wages.

	Average Base Salary
Civilian	$ 19,304.00
Military	26,561.00

11. The estimated number of personnel retiring and relocating is 224.

APPENDIX D

Regional Office

Vocational Education Region 5

505 University Drive
Elizabethtown, KY 42701

Phone (502) 769-2326
FAX # (502) 737-0505

RECEIVED
OCT - 5 1990

October 4, 1990

Ms. Audrey Carr
Deputy Commissioner
Dept. of Adult and Technical Education
Capital Plaza Tower, 21st Floor
Frankfort, KY 40601

Dear Ms. Carr:

In reference to your question concerning anticipated reduction in civilian employment at Fort Knox, the following information is provided:

1. The current year budget required a reduction of 200 civilian spaces at Fort Knox. As of this date, 152 positions have been eliminated by attrition (retirement, resignations, transfers, etc). It is estimated that approximately one-half of the 48 remaining positions to be eliminated are salaried, and approximately one-half are hourly.

2. There is some optimism that attracting other military units to Fort Knox will eliminate the need for layoffs. One school unit is definitely scheduled for Fort Knox in 1992, and there is some possibility of attracting other units when final decisions are made on which bases will be closed.

3. Fort Knox has been issuing a newsletter on a regular basis to civilian employees in an attempt to hold down rumors, state known facts, and keep morale as high as possible.

4. Some helpful information may be available from Mary Yeager of the Legislative Research Commission. Major Mazzia, the Public Affairs Officer (502) 624-7451, recently provided a briefing to the LRC on the impact of the cutbacks at Fort Knox.

As you are aware the major concern, especially in Northern Hardin County, is the loss of most of the 194th Armored Brigade.

This past summer, Hardin County schools had a very difficult time in finding what impact this loss would mean to them. When school started, the reduction was not as great as had been anticipated. (Fort Knox schools are also affected.) The crisis in the Gulf has apparently slowed down the exit from the Fort Knox area. With soldiers going to Saudi Arabia, spouses and dependents have stayed here rather than making a permanent move at this time.

While employment is up in the county and there is some construction in Elizabethtown, there are many houses and apartments vacant in Radcliff. Retail business in the North Hardin area will continue to be adversely affected.

We promote our assessment center at Fort Knox and have made many referrals to the vocational school, the community college, and to employment. I think it is pertinent to point out that there are more students from the North Hardin area at the Elizabethtown State Vocational-Technical School and the Elizabethtown Community College than from any other area.

It is probably too early to tell specifically what services are needed. We will continue to monitor the situation and keep you informed.

Sincerely,

Roye Wilson

Roye S. Wilson
Regional Executive Director

RSW/mls

APPENDIX F
INTERIM JOINT COMMITTEE ON
ECONOMIC DEVELOPMENT AND TOURISM

Minutes of the 2nd Meeting
of the 1990-91 Interim

August 30, 1990

The 2nd meeting of the Interim Joint Committee on Economic Development and Tourism was held on August 30, 1990, at 1:00 p.m., in the NCO Club at Fort Knox, Kentucky. Senator W. L. "Bill" Quinlan, Chairman, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Dottie Priddy, Co-Chairman; Senator Bill Quinlan, Co-Chairman; Senators Greg Higdon, Delbert Murphy, Eugene Stuart; Representatives Rocky Adkins, Jerry Bronger, Jim Callahan, Larry Clark, Mark Farrow, Charles Geveden, Bud Gregory, John Harper, Paul Mason, Sam McElroy, Raymond Mullinix, Anne Northup, A. G. Pritchett, Tom Riner, and Lawson Walker.

Guests: Senator Virgil Pearman, Representatives Bill Ark, Mark Brown and Ronny Layman; Thomas Ban, The Pioneer Wars; Daryl Lee, Bullitt Co. Planning Commission; Bert Watts, Acting Mayor, City of Muldraugh; Lee Klockow, Meade County Industrial Development Authority; Carl Wells, Mayor, Brandenburg; Rick Lewis, President, Radcliff-No. Hardin Chamber of Commerce; Linda Harris and Wendell Lawrence, Lincoln Trail ADD; Richard Brandenburg, Mayor, Vine Grove; Garry O. Doolittle, Ft. Knox Schools; Tom Hutchins, DEH, Ft. Knox; Dennis Crouch and Scott Pottinger, Naval Ordnance, Louisville; Dave Ravencraft, East Kentucky Power, Winchester; Steve Montgomery, Assn. of the US Army; Gene Smith and Dr. Mike Sarver, Elizabethtown Industrial Foundation Training Center; Kay Sharon, William E. Kelley and Denny Duggins, Hardin Co. Schools; Ralph K. Lutz, Mayor, Mt. Washington; Gene Smith, West Point; Robert Moore, KIPPA; David Wilson, Meade Co. Schools; David Thompson, Elizabethtown Independent Schools; Larry M. Price, Burkesville; Col. Dennis E. O'Brien and Gary Stegner, Jefferson Proving Ground; Lt. Col. Charles G. Kerley, Indiana Army Ammunition Plant; Robert Armogeda, Blue Grass Army Depot; and Col. Claude W. Abate, Lt. Col. Larry McCabe, Joe Yates and Major Mazzia, U.S. Army Armor Center and Ft. Knox.

LRC Staff: Gordon Mullins, Kenny Carroll, Mary Yaeger, Ivan Potter, Jessie Sue Simpson, Donna Cantrell, Mike Benassi, Bill Miller, Melvin LeCompte, Bill Starks, Steve Kring, Karen Thomas, and Mark York.

Press: Tim Weldon, WLEX TV; Kathy Farr, WAVE TV; Aaron Dean, WSAC Radio; Shelly Catherine, WQXE Radio; Jeff Stewart, WIEL-WKMO Radio; and Glenn Rutherford, Lexington Herald-Leader.

Chairman Quinlan declared a quorum present and announced that before business started Representative Ark would like to welcome everyone. Representative Ark thanked the committee and guests for coming to Ft. Knox. Chairman Quinlan then noted that Representative Brown represented the area in which the meeting was being held. Chairman Quinlan asked each member of the committee and the guest legislators to introduce themselves and tell what areas of the Commonwealth they represent.

Chairman Quinlan explained that the purpose for this meeting was to comply with the terms of Senate Concurrent Resolution 74, which directed the Interim Joint Committee on Economic Development and Tourism to study the economic impact that proposed defense cuts would have on the citizens and communities of the Commonwealth. He stated that this was the first fact finding meeting of the interim, and that the purpose was to learn what economic impacts the proposed cuts might have on this and surrounding areas through presentation of military, business and community leaders. He then introduced the first speaker, Col. Claude Abate, Chief of Staff, U.S. Army Armor Center and Fort Knox.

Col. Abate welcomed everyone on behalf of Major General Thomas C. Foley, Commanding General at Ft. Knox, and expressed his pride in the post. He told the members that during this year Ft. Knox is celebrating the 50th anniversary of the formation of the Armored Cavalry Force. He told the committee that he hoped they had enjoyed their morning tour of the post. He explained that he would be joined in the presentation by Lt. Col. Larry McCabe and Mr. Joe Yates. Col. McCabe is the Director of Resource Management at Ft. Knox and he will give information on the FY 1991 reductions and the impact of those cuts on the local community; Mr. Yates, an Environmentalist from their Department of Engineering and Housing and a civilian member of the work force at Ft. Knox, will discuss land use planning and environmental issues relative to the post.

Using slides for his presentation, Col. Abate discussed the U.S. Army Armor Center's mission, which is to train armor and cavalry soldiers for the force. He stated that the training at Ft. Knox is broken down into individual training, career development training and unit combat training. Moving to mission input, Col. Abate explained that in all the courses there is a "thru-put" of about 98,000 soldiers, a decrease of 2,500 from FY 1989. In addition to the training in all courses, other services at Ft. Knox include: concepts development (tactics, doctrine, and improved use of devices and simulators as methods of training/testing), training development, equipment development (such as new tanks and fighting vehicles) and testing, and a mobilization mission in case of crisis. He explained that Ft. Knox is also the host to the 2nd ROTC Region, MEDDAC and DENTAC (hospital and dental), and they have the Readiness Group Knox, which is responsible for training reserve units in and around Ft. Knox, Kentucky, Tennessee, and surrounding areas. Also, they have the U.S. Bullion Depository and support other miscellaneous units.

Next, Col. Abate gave what he called "Gee-Whiz" data about the post. Showing slide maps and charts, he drew attention to the item reading "Non-Family Housing", which showed 1,928 buildings. He explained that 56%, or about 1,100, are World War II type wood buildings that have not been replaced, and said this would be a significant point later in the discussion. For the committee's interest, he pointed out that 25,394 airline tickets were sold in FY 1989 to soldiers and persons visiting Ft. Knox that year.

Continuing with the map slides, Col. Abate showed Ft. Knox (109,000 acres) in land mass comparison to some other posts, camps and stations, and indicated that it may not very big in comparison. He related that a World War II study showed that a tank battalion needed about 4,000 acres for training, and an M-1 battalion in 1990 needs 80,000 acres. He noted that Ft. Bliss, Texas (1,100,000 acres) and Ft. Erwin, California are the size areas needed today to train large mechanized forces.

He proceeded by giving information on training data and the number of tanks at Ft. Knox, indicating that the cost of doing business at Ft. Knox is significant, with an average daily training load of about 5,306 soldiers.

Total civilian personnel as of September 30, 1989, was 8,179; 73.1% from Hardin County, 9% from Meade, 8.6% from Jefferson, and the balance from LaRue, Breckenridge, Grayson, Bullitt, other counties, and Indiana. Monthly civilian payroll amounts to $10,610,126. Other data showed 4,127 soldiers residing off-post as of December 31, 1989, 473 less than in November, 1988.

Next, Col. Abate discussed quality and type of soldier in the army today. The Colonel stated that an increased number of soldiers entering the army today have high school diplomas and higher mental category ranking. Col. Abate indicated that the volunteer army and good recruitment efforts are responsible for these improvements. He noted a downward trend in drug use, AWOL, property and violent crimes.

Col. Abate said there were nine (9) schools (1 high school, 2 middle schools and 6 elementary schools), with approximately 3,900 students and a $16 million budget. He indicated that Ft. Knox had fourteen Kentucky merit-rated programs, and $1.1 million worth of scholarships were given to the class of 1990. He said that Ft. Knox and Ft. Campbell are the only Department of Defense (DOD) operated schools in the continental United States. He stated that they are very proud of the school system at Ft. Knox and consider it to be a big plus for drawing people back to the Ft. Knox area.

Col. Abate then said that today's fiscal and manpower constraints impact affected operations and maintenance at Ft. Knox. Operations include civilian pay, training activities, engineering, maintenance, repairs, consolidation of dining facilities, combat vehicle maintenance, and other items. Operations and maintenance dollars have declined about $40 million and he expects the downward trend to continue. Staffing levels during the same period of time indicated a decline of 1,451 personnel, including officers, warrant officers, enlisted and civilian.

Because the figures fluctuate every day, Col. Abate could not give the manpower, operation and maintenance budget, but said that Ft. Knox would take its fair share of reductions. He showed the decline in average daily training load from 1985 to 1989 as 1,250; as the training load goes down, so do the people it takes to run Ft. Knox. "Our operating strength and our operating dollars are directly related to the number of soldiers we train here. So, as those numbers go down, so do the base operations and the dollars to run the post," said Col. Abate.

Next, the Colonel discussed the impact of Ft. Knox on the economy in the community and in Kentucky. The population supported by the categories listed for Ft. Knox was 50,400 persons, for Kentucky 113,000. The categories were civilian employees, military assigned, military family members, reserve component organizations that come to Ft. Knox for training, and retired military. Local procurement, including supplies and services, and net payroll figures were shown. Col. Abate stated that Ft. Knox has an economic impact of $623,938,379 on the local economy and the military has an impact of $1,469,193,800. Kentucky is fourth in the nation in terms of military presence in the state. Only three other states are ahead of Kentucky - Texas, Georgia and Virginia. If Ft. Knox was not in Kentucky, instead of being fourth in army and DOD presence, it would be 23rd. Kentucky is 7th in the nation in terms of

dollars, behind Texas, Georgia and Virginia, California, Alabama and North Carolina. If Ft. Knox was not in Kentucky, army presence would be about 44th in terms of the gross state product coming into the state.

In terms of military construction, Ft. Knox is not keeping pace with other military installations. Col. Abate indicated that they had not sold themselves very well to the decision makers deciding on military construction. Col. Abate said that Ft. Knox had been remiss by not tearing down the WWII type wooden buildings and putting up more permanent structures.

Col. Abate stated that part of the reason Ft. Knox had not marketed themselves very well is because there are not enough national congressional members from the state on the important committees, (i.e.: the House Armed Services Committee, the Senate Armed Services Committee, or the Appropriations Committee.) The states that have more personnel and dollars have a greater number of representatives on those committees. The only individual from the Commonwealth that is on one of the important committees is Congressman Hopkins, who is on the House Armed Services Committee. From a positive view, Col. Abate showed some military construction projects that will be going on in the future. He said that the outlook in terms of more projects is good, but they are in jeopardy of being cut.

Col. Abate pointed out that construction of YANO Multipurpose Range Complex should begin in FY 1991, if uneffected by budget cuts. Reminding the committee that Ft. Knox had been there for 50 years, the Colonel said that a lot of the range complexes were WWII and had not been upgraded. The YANO project, a $21.2 million project, would give Ft. Knox a multipurpose range complex featuring computerized targets, scoring systems, firing positions, turn lanes and various sophisticated state-of-the-art equipment. This would allow them to simulate firing of direct-fire tank weapons safely and quickly, giving them capabilities found at some of the other posts. Also a planned physical fitness center may be in jeopardy. Representatives in Congress are aware of these projects and are sensitive to the needs of Ft. Knox and the area.

Col. Abate introduced Col. Larry McCabe, Director of Resource Management, who focused in on dollar amounts and impacts that will occur. He said that the purposed reductions at Ft. Knox have not changed because of the situation in the Middle East. He indicated that some of the focus may change, but at this time no modification has been announced. Col. McCabe said that it was necessary for the army to shape itself into a smaller, more versatile, well trained and ready, fighting force. He said policy is guided by the international environment, but constrained resources continue to be a driver (especially after the Iraq crisis is over) for what happens to the military establishment, the army, and Ft. Knox in particular. The Gramm-Rudman-Hollins Act (Deficit Reduction Law) could impact the military reductions by 50% in some areas, Col. McCabe said. That impact comes down from the major command called Training and Doctrine Command (TRADOC); TRADOC has about 10% of the DA's OMB budget and Ft. Knox has about 10% of TRADOC's budget.

Continuing, Col. McCabe said the Base Closure and Realignment Act has an impact on Ft. Knox and the Defense Management Review was an indepth productivity study of where the military could cut back. Col. McCabe described personnel reductions, reduced accessions, and drawdowns or relocations of some units, reductions of some installations, modernization slowdowns and military construction slowdowns that were planned, but also said that no one can predict what will happen now. Protecting training at Ft. Knox is their key job now.

Showing a slide titled "FY 90/91 Proposed Force Structure Reductions", Col. McCabe said that while some of the actions were still scheduled to continue, including Ft. Knox reductions, some had been put on hold and one was scheduled for movement overseas.

Col. McCabe gave reasons why the 194th Separate Armored Brigade (SAB) was scheduled to be cut. (1) Ft. Knox was not the best place in the United States to train and maneuver forces which are land intensive. They cannot do full battalion training, and in some cases, it is difficult to do company on company training. Ft. Knox is not set up to do the type of training the 194th brigade required; they had to be moved to either Ft. Bliss, Texas, or Ft. Erwin, California. (2) the Prepositioned Overseas Material Configured in Unit Sets (POMCUS) requirement was eliminated (equipment such as tanks, other tracks, wheel vehicles). About 85% of the 194th's equipment had been or was required to be positioned overseas, i.e. Germany, western Europe, for use in time of war.

Col. McCabe continued that in January, 1990, it was proposed that the 194th be a candidate for reduction and that it be reduced by 3,000 spaces. In June, Ft. Knox submitted to TRADOC an environmental assessment that was available to the public for comment. On July 16, 1990, TRADOC forwarded a recommendation to the Secretary of the Army that the reduction be continued. On the 8th of August the Secretary of the Army made the decision final to continue with the 194th. Because of the Iraq issue, Col. McCabe said they do not have the implementation order from Forces Command, which is the 194th higher headquarters.

The 194th 3,010 space cut represents about 52% of the brigade and is about 25% of the permanent party at Ft. Knox. Col. McCabe said you must look also at the TEXCOM Armor and Engineer Board, which is scheduled for deactivation the middle of 1991. That involves about 165 military and 125 civilian full time positions and about 70 part time employees. That mission is being consolidated at Ft. Hood, Texas, as part of the defense management review (the productivity study).

The basic training requirement at Ft. Knox has decreased, eliminating one battalion and three subordinate companies under the battalion in the 4th Brigade. This represents a loss of about 330 average daily training load, 64 military and 2 civilian positions at Ft. Knox.

Next Col. McCabe referred to a slide titled "Socioeconomic Impacts of Realignments and Reductions," showing the effect of the losses as: population - loss of 12,925 persons (includes soldiers, civilians, and family members); employment - loss of 4,450 jobs; business income - loss of $44.8 million (4.5%) in business volume; housing market - decrease in demand for 973 rental units, 562 owner occupied units; local schools - reduction of 1,615 students, loss of $184,000 in Federal Impact Aid; and, personal income - loss of $78.1 million (5.8%). This information ended Col. McCabe's portion of the presentation.

Representative Walker asked how the military ranks as an employer in comparison to other industries. Col. McCabe stated that he believed the military is the largest single employer in the Commonwealth. Rep. Walker then asked if he knew in dollars where the military ranks. Col. McCabe said he did not believe that data was available, but Chairman Quinlan stated that the committee staff does have that information and would make it available.

Representative Priddy questioned Col. McCabe about court ordered educational reform. Col. McCabe said their school system is under federal requirements, but that they do have to comply with some of the state laws. For example, they are now going to start educating four-year olds. He said that state education reforms will also have an impact on their teachers salaries, and other impacts.

Next Col. Abate gave his opinion of the future of the military. He said there will be additional base closures and consolidations. They will try to put more training activities at one installation; for example, instead of Ft. Knox being the home of armored calvary, it may be the home for armored calvary, the military police, and the chemical school. He indicated they might try to consolidate into little base clusters. The Colonel said there would be more reliance on the strategic forces, greater reliance on the light forces that can move rapidly. He stated, there is going to be a greater dependence on simulation devises. And, there will be more civilianization and commercialization of actions and activities on the posts. He also noted that there are and will be fewer members of Congress and staff who have served in the armed forces.

Regarding future mission potential, Col. Abate listed some factors which limit Ft. Knox. First, the Armor Center needs have outgrown its facilities; the facilities required to train the force and take care of the soldiers and their families are not available. The facilities to accommodate new missions are not available without major construction. He said that they may be moving units from Europe back to the States, and if Ft. Knox had the facilities they would be in better posture to receive those units.

Next, the Colonel listed some positive factors about Ft. Knox. It is a multi-mission post; there are no major environmental issues that would prevent people from coming there; and simulation centers help mitigate the lack of training space. They have positive community relations and support, and they have a history and lineage to the Armor Force, as shown by their 50th anniversary celebration.

Colonel Abate discussed the base realignment impact on Ft. Knox next. He said they are trying to relocate some other activities to Ft. Knox. The Air Base Ground Defense School is currently located at Ft. Dix, New Jersey, but it is closing. An expected 424 average daily load from that school will bring about $12 million of construction and renovation to Ft. Knox. It will bring about 200 permanent military and 20 civilian positions and about $12.14 million in military and civilian pay. The date of the transfer is August, 1992.

In closing, Colonel Abate gave an update on the current Operation Desert Shield situation in the Middle East as it involves Ft. Knox. Eight units of the 194th Armored Brigade have been alerted to deploy to Saudia Arabia. Those units are the 22nd Replacement Detachment, the 530th Maintenance Company, the 19th Engineer Battalion, the 13th Engineer Company, the 76th Heavy Equipment Maintenance Company, the 42nd Field Hospital, the 431st Medical (Air MEDDAC) Detachment, and the 280th Military Police Detachment. He said this reduces post support that those units provide, and there will be a need for civilians to take up the slack.

Chairman Quinlan asked the committee for any question for Col. Abate. Representative Northup asked how long the average person stayed at Ft. Knox. Col. Abate said that the average soldier, officer, warrant officer, or NCO

would probably stay at Ft. Knox about three (3) years, and that the trend was going up. He said if they down-size Europe there will be less rotation and soldiers will stay at Ft. Knox longer.

Next, Chairman Quinlan introduced Colonel Dennis E. O'Brien, U.S. Army, Jefferson Proving Grounds (JPG), Madison Indiana. Col. O'Brien thanked the committee for inviting him to participate. He opened by stating that the Jefferson Proving Grounds does 85% to 90% of all the munitions testing for all the army's ammunition, a portion of the air force, navy and marine's in terms of the conventional ammunition. Col. O'Brien said that JPG spends approximately 50% to 55% of all their procurement dollars in Kentucky; and, approximately 10% to 15% of the personnel assigned to JPG, all civilians, live in Kentucky. He added that Jefferson Proving Grounds is on the base closure list, scheduled to move to Yuma Proving Grounds in fiscal year 1994 and 1995. It will cost between $100 and $200 million in construction, overland move, organization and maintenance money to move to Arizona. To move to Yuma the facilities at JPG must be duplicated, yet they are only required to have facilities to meet peace-time rates.

Jefferson Proving Ground is part of the Test and Evaluation Command. They test almost everything the army, the air force, and the navy use. The Colonel said they test fire 50,000 to 85,000 rounds downrange per year; he said no other facility in the United States fires that kind of ammunition. Col. O'Brien said that they are the only KEYCOM installation scheduled for closure on any base closure list at this time. JPG contains 55,264 acres and is laid out in such a manner as to allow volume ammunition testing; it is 19 miles long and 5 miles wide, and it is 45 miles from Louisville.

There are 380 employees at JPG, and 3 military positions. The facility was designed in the late 1930's and can handle 1500 lots of ammunition to approximately 16,800 lots (wartime rate). He pointed out that the new facilities are designed and approved to meet peace-time rates of production, while JPG can handle the larger requirements with no additional structures, only additional personnel. He showed a workload source map showing JPG as more centrally located to the production plants than Yuma.

Giving information from an economic impact study on rural Indiana, Col. O'Brien showed a decrease in regional sales volume of $47.7 million, a primary/secondary impact of a 940 person decrease, and a decrease in regional income of $17.4 million. By percentage, these figures are minus 5.3% of regional sales volume, minus 2.6% of employment, and minus 1.6% of the population. Additional information showed a 230 decrease in children attending public school, a 407 unit decrease in occupied housing, and loss of the disproportionate share of middle class with disposable income. JPG average salary is $10,000/year greater than the comparable job in the region.

Next, Col. O'Brien discussed the environmental impact status of JPG, if closed. Thirty-six potential sites have been identified that could have to be cleaned up; they are landfills and many involve farm wells which JPG condemned in 1939 when it began construction. In the worse case scenario, if each had to be cleaned, it would cost $56 million.

The key areas for cleanup at JPG are unexploded ordnance and depleted uranium (DU); they fire depleted uranium tank ammunition at JPG. It is low-level radioactive, 2 1/2 times as heavy as steel, and a great tank killer. The only environmental hazards, Col. O'Brien said, would be if you ate it. He reminded the committee that JPG is NRC licensed, they monitor the soil,

surface and ground water, and deer tissue (there are between 9,000 and 12,000 deer on the 55,000 acres). Employees pick up the DU after it is fired; they recover approximately 25%. This area would have to be cleaned up; it is about the size of Central Park in New York. It is estimated that it would cost $550 million to do surface cleanup.

The single greatest problem in an environmental cleanup at Jefferson Proving Ground is unexploded munitions. As shown by the chart used, 95% to 97% of the grounds would have to be investigated for unexploded ordnances. There have been 23,000,000 rounds fired at JPG since 1941; they estimate 1.5 million high explosive duds remain. He pointed out that a metal detector cannot distinguish between exploded and unexploded munitions, and therefore each one must be treated as live. The cost of just surface cleanup is estimated to be $56 million. However, Col. O'Brien said they believe to do a sub-surface, unrestricted cleanup would cost $5.0 billion.

Senator Stuart asked what was the reason given to Col. O'Brien for the closing. Col. O'Brien answered that the statute which Congress provided the Base Closing Commission said they were not to consider any environmental costs in selecting closure sites. Therefore, any environmental costs in closing JPG were not included in the calculation.

Chairman Quinlan next introduced Lt. Col. Charles E. Kerley, Commander of the Indiana Army Ammunition Plant (INAAP) in Charleston. Col. Kerley thanked the committee for inviting him. He said INAAP is a military/industrial, government-owned, contractor-operated facility, one of 16 active army ammunition plants and 11 inactive plants in the United States, which are clustered primarily in the eastern half of the country. He said they are clustered because most of them were developed in the 1940's, and the intent was to keep them away from the coastlines for protection.

INAAP is 14 miles north of Louisville. There are 2 military, 31 government civilians, and 1,024 contractor personnel. They have a cost plus award contract which runs $65.9 million. Approximately 25% of the total employment are Kentucky residential, 20% being Jefferson County.

INAAP has 10,649 acres, 4.7 million square feet under roof, 291 explosive magazines with 67,862 tons capacity, and 185 miles of intra-plant roads. There are 86 miles of railroads, which includes two active engines. The original acquisition cost was $240 million and the estimated replacement cost is $1.6 billion. INAAP is scheduled for production through FY 92; at that point they are to go into a base lay-away status. The economic impact is $95 million as of FY 89.

INAAP manufactures propellant charge bags, the charges used by howitzers and mortars to propel the rounds downrange. INAAP does not currently produce the propellant. INAAP is the only propellant bag manufacturing facility, the only facility that loads, assembles and packs mortar charges (60,8 1MM and 4.2 inch) and howitzer propellant charges (105,155, 175MM and 8 inch), and the only one to produce the TiO2 wear-reducing liner. They are the only propellant container renovation facility, and the only DOD black powder manufacturing facility in the western hemisphere (there is a civilian one which currently produces all the black powder used). IVAAP's black powder facility is in lay away. Also in lay away is the largest single-base nitrocellulose facility.

There are 49 government living quarters on the facility, along the banks of the Ohio. As a part of the Base Realignment and Closure Act, 863 acres were

identified to be excessed. They are in the process of conducting an environmental assessment of those acres, involving the northern portion of the plant. The state of Indiana is interested in turning that area into a park; it is also believed to contain a site for some indian burial grounds. Thus, there is a great deal of environmental concern for the area.

Rep. Clark asked where their products would be made; Col. Kerley answered that currently there were adequate stocks in stockpile so there would be no immediate short-fall. There are a couple of other facilities that could produce if necessary. There are 15 active plant, 6 are going to be closed.

Rep. Harper asked about the shelf-life of the munitions; Col. Kerley said they have propellent which has been in storage 20 to 25 years. In most cases, it would be expended well before that. Rep. Bronger asked how INAAP storage compared to the storage in Nevada (Hawthorn); Col. Kerley said Nevada has at least 4 or 5 times the storage capacity of INAAP. He said INAAP is operating at about 70% of their storage capacity, but their munitions are very transient and not stored for long periods of time there. Rep. Bronger then asked if Col. Kerley was aware that there was asbestos buried on INAAP ground. Col. Kerley answered that they are in the process of an asbestos abatement program on the facility. He said all of the steam lines were originally wrapped in asbestos and they are in the process of stripping it off and disposing of the asbestos.

Senator Quinlan thanked Col. Kerley, and introduced Mr. Robert Armogeda, the Public Affairs Officer, Blue Grass Army Depot, Lexington. Mr. Armogeda said that Lexington Blue Grass Army Depot was selected, along with many others in December of 1988, to be closed as an installation. He said there are two locations, but the Avon location, just outside of Lexington, will close.

Mr. Armogeda noted that some of the actions involved in the Base Realignment and Closure (BRACO) are: transfer of supply missions and material readiness support activity (MRSA, their largest tenant organization) to Letterkenny Army Depot in Pennsylvania; transfer of communications-electronics mission to Tobyhanna Army Depot (also in Pennsylvania); transfer of central test measurement activity to Redstone Arsenal in Alabama; and closure of the Lexington facility. He noted that there are a lot of activities that must take place before the facility can close, including that the Army Corps of Engineers must do an environmental impact study.

Next, Mr. Armogeda discussed the impact on the community. He cited the loss of civilian and military positions, the loss of revenue to the community as having a multiplier effect, and the loss of revenue generated by visitors, approximately 30 each day in 1989. He mentioned the loss of depot and employees participation in civic organizations, the Chambers of Commerce, professional and social organizations, the United Way, and the Central Kentucky Blood Bank.

A chart of the staffing changes showed that in December, 1988, there were 2,338 employees, including the tenant organizations; after the closing there will be 721 - a loss of 1,617 positions, 593 from the Depot.

Continuing, Mr. Armogeda showed some of the effects that might take place. Personnel payroll and benefits, including civilian military, and contractor personnel, were $70,958,333 in FY 89 and estimated at $77,276,360 in FY 90. Local procurement in a 50-mile radius was $16,374,293 in FY 89 and estimated at $18,133,827 in FY 90; in a 51-200 mile radius it was $4,618,390 in FY 89

and estimated at $5,114,669 in FY 90; and, non-appropriated (labor and material) was $715,953 in FY 89 and estimated at $801,867 in FY 90. The totals for local procurement were $21,708,636 in FY 89 and estimated at $24,050,363 in FY 90. Also shown were total utility expenses at $1,574,558 in FY 89 and estimated at $1,669,032 in FY 90. The grand total of the funding impact on the local economy was $94,241,527 in FY 89 and estimated $102,995,755 in FY 90.

Mr. Armogeda told the committee that changes could come down and had already started, but he would not speculate on possibilities. On August 9th or 10th letters went out to the people who would experience an involuntary separation. However, the Office of Personnel Management in Washington gave the Depot Civilian Personnel Office blanket authorization to register everyone in the Priority Placement Program, where they are given priority for federal jobs in other agencies. As a result, with reassignments that have been accomplished before the separation even takes place, October 12th, and with a generous voluntary early retirement plan which Congress offered, there is a complete reassessment of the reduction-in-force, and they are hoping the figures may change.

Mr. Armogeda pointed out that there had to be an environmental record of decision done by the Army Corp of Engineers by June 20, 1991. There is a Lexington Blue Grass Army Depot Redevelopment Committee which is studying possible future uses of the Depot. The entire operation is to be moved to Richmond by FY 94. Mr. Armogeda said they will start to use the name Blue Grass Army Depot rather than Lexington Blue Grass. The final disposal date shown was September, 1995.

Chairman Quinlan asked for copies of the presentation, and thanked Mr. Armogeda. He then introduced Mr. Denny Crouch, from the Naval Ordnance Station in Louisville.

Mr. Crouch thanked the committee and introduced Mr. Scott Pottinger, also from NAVORDSTA. Mr. Crouch said that the Naval Ordnance Station is located in southern Jefferson County, and has employees from all the surrounding communities. In January, 1990, they came on the list for consideration for base closure and consolidation. In the recent Middle East crisis, as in any crisis that concerns the navy, any guns on the surface naval ships are either overhauled, or the engineering to support those weapons takes place at Naval Ordnance Station in Louisville for the entire fleet. They also provide repair support for all the missile launching systems.

They currently have a MILCON project, $29 million to build a flooding shop, that is proceeding. Another project is on hold; this is a $3.5 million failing explosives and weapons system facility. He said Congressman Mazzoli believes it is illegal, because being on the list for consideration is not supposed to impact what actually is happening at the station. They also provide seminars, technical meetings, conferences and training for the naval community. He said they also have a major impact on the tourist industry within their region of the state.

Mr. Crouch said they have an environmental impact study that was performed by a contractor for the Navy, and that the details of everything that the committee wants are in it. He said it includes the economic and social economic considerations of the community.

Next, Mr. Crouch said that NAVORDSTA is the 4th largest manufacturing employer in the area and the 9th in the state. They have only 12 military officers. For FY 90, there are 2,000 civil service employees that reside in Kentucky, 400 who reside in Indiana, and contract personnel of 2,100, for a total of 4,500 positions. The FY 90 wages total $150 million, $77 million at NAVORDSTA and $73 million local. Taxes for FY 90 total $10,500,000; KY income tax at $5 million, KY sales tax at $3.8 million and Louisville occupational at $1.7 million. They also have contracts to local businesses during FY 90 of $13 million.

From a workload standpoint, Mr. Crouch said their facility is expanding, while the base closure continues. From a statistical standpoint, there are 142 acres within the station, 1.6 million square feet of industrial floor space, with a value of about $191 million. The slide showed industrial and non-industrial equipment valued at $248 million. Mr. Crouch said they have the largest collection of numerically controlled machine tools for the Navy, which makes them a very modern plant. All of their buildings are permanent and relatively modern.

A bar graph showed the estimated jobs lost by industry in 1993 by the closing of the Naval Ordnance Station. The largest estimated loss is in construction, at 500, slightly above 300 is personal services, 200 to 300 is retail, and eating and drinking establishments. Transportation's loss is between 100 and 200. Others ranging downward from just under 100 are stone, clay, glass and concrete; business services; wholesale; hotels, etc.; insurance; others not designated; real estate; financial services; printing, publishing and allied products; chemicals and allied products; and lumber.

Mr. Crouch said the impact figures had caused the Naval Ordnance Station to redefine what they are trying to do, made them more customer oriented, and basically had changed their approach to how they look at their business opportunities. It caused them to start looking at new types of work, which had resulted in increased workload for them. One result of the restructuring is a reduction in their costs. The environmental impact assessment states that it will take in excess of 200 years to make a break-even point on the payback for NAVORDSTA, if it is closed. A very important factor not considered is that they do jobs cheaper than their competition. They are an ordnance naval industrial fund activity, which means they have an operating capital and operate like a business. There is no federal appropriation, other than the 12 military personnel, which covers their activities. In restructuring, their labor rates are projected to drop in the next two years. (FY 91 is at $49.58/hour; FY 92 and FY 93 are projected at $42.00/hour.)

In discussing the community involvement of NAVORDSTA, Mr. Crouch cited that they are one of the largest employers of engineering graduates in the Commonwealth; they have in excess of 400 young engineers, and they are a constant source for the cooperative education program at the University of Louisville. The slide also showed involvement by the employees in the American Red Cross Blood Donor Program and many other community projects, all of which were supported by employees without cost to taxpayers. Also, he said in the coming year they would celebrate their 50th anniversary, citing that several generations of some local families had worked there.

Next, Mr. Crouch talked about the future. Within the past 3 weeks, U. S. Navy Secretary Garrett had forwarded to Secretary Chaney, Secretary of Defense, his request that NAVORDSTA be taken off the list for base closure and

consolidation. Presently, no action has been taken on that request. They are hopeful that the decision will be resolved in favor of NAVORDSTA very quickly; they anticipate that it will. Another future impact he mentioned was that while there is now a hiring freeze, their projected workload requires more people than they presently have, indicating that one potential impact could be an additional hiring or absorption of people that are being laid off by other facilities. They are approaching the problems from the positive viewpoint that if they are the most cost effective facility, they are justified in incentives to operate and grow. Their role is in maintenance, and with budget cuts not allowing for new defense weapons purchases, logically their role should increase. For instance, Mr. Crouch said that overhauling a weapons system costs 18% of what a new system would cost.

Mr. Crouch said that since November, 1989, they have become very aggressive in seeking political clout within the Congress. He said that politics plays a big part in the decision making and it is very important that they cultivate congressional supporters. He stated that Representative Natcher, who is on the Subcommittee for Appropriations, has been easier to work with than some and that he has a tendency to not be political. He noted as important that recently there were four centers of excellence within the military community, and that it is not coincidence that they all went into the districts of the two congressmen on the Armed Services and Ways and Means subcommittees and the two senators heading two pertinent subcommittees.

Chairman Quinlan thanked Mr. Crouch for the presentation and requested that he provide the staff copies of the brief the environmental survey.

Chairman Quinlan then said there was some business the committee needed to transact before continuing. First, he asked for a motion to approve the minutes from the July 17, 1990, meeting of the committee; Representative Mullinix made the motion and Representative Geveden seconded. With no objections, the minutes were approved.

The next order of business concerned the Subcommittee on International Trade and Development. Chairman Quinlan said that he and Rep. Priddy had requested LRC to create a subcommittee on international trade and development of Interim Joint Committee on Economic Development and Tourism. He said that the members of the committee who had been on the former Task Force on International Trade and Development were being assigned to this subcommittee, and named Reps. Bronger, Farrow, McElroy, and Smith, and Senators Meyer and Higdon, with Chairman Quinlan and Chairman Priddy as ex-officio members. He said that Rep. Priddy and he have recommended the appointment of Sen. Meyer and Rep. McElroy to serve as Co-chairmen of the Subcommittee on International Trade and Development. He also said that any other members of the committee who wished to serve on the subcommittee should advise staff.

Next, Chairman Quinlan called the members' attention to an executive order on the realignment of the Tourism Cabinet; he referred that order to the Subcommittee on Tourism and asked that it be reviewed for report at the next meeting.

Chairman Quinlan announced that the next meeting could be in Bowling Green on September 27 and 28, and would be a joint meeting with the Interim Joint Committee on Cities.

Having concluded the business portion of the meeting, Chairman Quinlan then introduced Mr. Wendell Lawrence, Lincoln Trail Area Development District, Elizabethtown, Kentucky. Mr. Lawrence welcomed the committee to Lincoln Trail ADD on behalf of Cheryl Watson, Chairman, and Mr. Jim Greer, Executive Director. He then presented a brief overview of the district's economy and the two counties that border Ft. Knox, Hardin and Meade, from the district. Noting that the Lincoln Trail ADD economic structure encompasses all basic industries, he said that the eight county region, from 1980 to 1988, maintained the sixth lowest unemployment rate in the Commonwealth among the 15 Area Development Districts. They experienced an increase in employment percentages in all major industries in that period, with the exception of mining and quarrying employment. The largest increases were in construction (62.6%), services (53.5%) and wholesale and retail trade (39.7%). They experienced an increase in manufacturing employment of 15.2% during the eight years ending in 1988. They account for roughly 4.2% of the state's total manufacturing employment, which is an increase from three and one-half in 1980.

Mr. Lawrence continued, the overall unemployment rate for the region in June, 1990, was estimated to be 7.5 %. The 1989 unemployment rate for Hardin County was 5.0%, with Meade County at approximately 7.9%. Hardin County maintains a well-diversified economy, ranging from agriculture to state-of-the-art manufacturing facilities. Meade County is also represented by economic diversification, but its manufacturing base is centered in one employer in that sector.

The importance of Ft. Knox to those adjacent counties and the overall Lincoln Trail region is evidenced by the information contained in the recent Environmental Assessment of the proposed realignments of Ft. Knox. The reservation is the largest employer in the three-county area, with 17,400 full-time employees. Approximately 25% of the total personal income is generated by federal civilian and military pay. Forecasts in that Assessment indicate that $44.8 million will be lost in business volume, $78.1 million lost in personal income, and a loss of $4.2 million in government revenues.

Mr. Lawrence said that Ft. Knox is a critical portion of the area economy; its impact is felt across all sectors of the region's economic structure. Impacts range from tourism dollars to housing purchases to education revenues throughout the Lincoln Trail Area, and particularly to the adjacent counties. Ft. Knox is, in effect, a city of 40,000 people and therefore a vital part of the area's economy.

Chairman Quinlan thanked Mr. Lawrence and asked for a copy of his report. He then introduced Dr. J. Michael Sarver, Director, Elizabethtown Industrial Foundation Training, Elizabethtown Community College. Dr. Sarver thanked the committee for inviting him to speak, and started by saying that if we were going to preserve the economic viability of the communities surrounding the base as a whole, we were going to have to create new jobs. He said in Elizabethtown the Industrial Foundation, with the Chamber of Commerce and other business and civic organizations, have done an excellent job in the past 10 years of recruiting new industries and businesses, and helping businesses to expand and grow. One of the problems of growth has been finding enough highly skilled individuals. The employment rates of 5% to 7.8% mentioned earlier make it sound like there is a wealth of unemployed individuals ready and waiting to work; the problem is when you assess the skill levels of those people. He said he had heard statistics (though he was not sure how accurate) that 40% of the production workers across Kentucky do not have high school

educations. Of those that do have high school educations, a large percentage of their skills are outdated. They came into the workforce when repetitive tasks were all that was necessary; today that is not enough.

Dr. Sarver said that when you have the degree of high technology that we presently have, and that we have to have for our industries to be competitive in a world-class marketplace, the machine operators have to be able to compute statistics. When you mention statistics or statistical process control to a person who can barely balance a checkbook, you can imagine how high the anxiety levels get. Those are some of the problems they were experiencing in Elizabethtown.

Dr. Sarver said he came with not just a problem, but with a possible solution to the problem. The local industries got together with the educational systems in the area, with civic and business organizations, and attempted to solve the problem. By combining all the talents and getting the most efficient use of all the resources already available in the area, such as the vocational school, the community college, and money resources that were available in other areas, they were able to come up with ways to provide training that was specifically tailored for industry. One example involves targeting short courses at high-technology needs, so that individuals who were presently employed could become competitive, more secure in their jobs, and more efficient for their industries.

Dr. Sarver said that they had been in operation for a little over a year and had experienced great success. He said it is an idea that they want to share with everyone, especially across Kentucky. It can be incorporated and emulated in almost any region of the state, but they will need help. They will need incentives and assistance across the state in funding certain start-up with seed monies. He cited Blue Grass State Skills as the perfect example of a public corporation in Kentucky that has done wonders in assisting in elevating the skill levels of those workers presently employed across the state.

Dr. Sarver said that most of the history of what they are doing and how they are doing it is included in the packet he will present to the committee.

Chairman Quinlan asked if there were questions, and then thanked Dr. Sarver for coming and presenting his ideas. He then introduced Mr. Steve Montgomery, President, Association of the US Army (AUSA).

Mr. Montgomery said the Association is like a lobbying group, representing the rights and benefits for the soldiers in the US Army on a national level. On the local level, the chapter is used to lobby congressional people in terms of the needs at Ft. Knox. His role, as a volunteer, is to continue to make the chapter strong. Adding to the other information presented, Mr. Montgomery said that, from his own observation, the army presence in the Commonwealth is no different than a major industry coming to Kentucky, in dollars that it brings and the dollars that it spends, and the multiplier of the different dollars and how they affect our economy. He noted that in the past Ft. Knox, like the other military installations in Kentucky, had been like a big secret, in terms of the dollars involved and how they impact on Kentucky. He submitted that one of our industries, the military, is going through a time of extreme stress in terms of reductions, and that they need all of our support. He said that from his perspective it is not a regional problem, but a statewide problem. Any help that the legislature could have in working with the congressional people in Washington, Mr. Montgomery said, would be appreciated.

Chairman Quinlan, asked for questions. Senator Pearman asked if AUSA could give a list to the committee of the projects that have been requested for Ft. Knox. He said this committee could lobby local congressmen and request their help with requested projects at Ft. Knox. Mr. Montgomery said that one slide in Col. Abate's packet showed the current construction projects for the 91, 91 and 93 budget. He said that military personnel by law are not allowed to lobby Congress, and that AUSA has offered to lobby for needed projects. He said once a year AUSA goes to Washington to present that list. Currently on the list, in terms of funding for major construction, are the YANO Multipurpose Range, the Porter River Bridge, which open a major part of Ft. Knox on the other side of the Salt River for training, the Physical Fitness Center, and a sewer treatment plant. Because of public request, there are other missions that will be coming available from other closures (the Army can provide information on public request). Specifically, the chemical school mentioned earlier, and the military police school, both at Ft. McClellan, and the Air Force ground defense system at Ft. Dix which is scheduled to come here, need active participation in terms of planning for the future at Ft. Knox.

Senator Pearman then said that in the 35 years he had been in the area, this was the fourth downward trend, but that every time Ft. Knox had come back even better. He said that with this committee working with AUSA, the post, and the local officials, we could positively influence our congressmen. He stated that he believed that Representative Natcher at one time had in the package the physical fitness center and the YANO Range. Mr. Montgomery said that both are scheduled to be funded, but that each request can be cancelled at any time until the project is actually started.

Major Mazzia, the Public Affairs Officer at Ft. Knox, then said that Col. Abate and Col. Williams, the Chief of Staff prior to Col. Abate, have been in almost daily contact with the senators' and representatives' offices in Congress. It was Representative Natcher who called and said that YANO had been pulled out of the budget. He said that when the U.S. went into Panama and Congress was asked to provide $800 million that the President had requested in aid to Panama, Congress deleted YANO, the Porter River Bridge, the fitness center, and everything in TRADOC. One of our Kentucky congressmen then called Col. Williams, he went back up the line, and the projects were put back in the budget. YANO is now the No. 1 project for the Army within the 91 budget. He said Rep. Hopkins, of the House Armed Services Committee, said they had authorized a firing range, at $2.8 million, and one other range, at a combined construction cost of about $26/27 million. These are still in the budget.

Mr. Montgmery said that there is still a potential to use the assets at Ft. Knox; the facilities are open and available. As units come out of Europe or are reassigned from other base closures, there is the opportunity to turn the negative into a positive. But, he doesn't know if, unless we all work together, we can earn the military capital construction dollars, because of the competition. He pointed out Col. Abate's statements regarding the congressional support of Texas and other states.

Representative Ark said that they would like for the Committee to draft a resolution in support of the Porter River Bridge to be sent to Representative Natcher and the other congressmen from Kentucky. Chairman Quinlan said that, without objection, he would direct staff to draft the resolution. There was no objection.

There being no other business, Chairman Quinlan recognized Mayor Gene Smith, Mayor of West Point. The chairman then asked for a motion to adjourn. Representative Adkins made a motion to adjourn, Senator Murphy seconded, and the meeting adjourned at approximately 3:45 p.m.

APPENDIX F

DEPARTMENT OF THE ARMY
U.S. ARMY JEFFERSON PROVING GROUND
MADISON, INDIANA 47250-5100

October 10, 1990

REPLY TO
ATTENTION OF

Public Affairs Office

Ms. Donna Cantrell
Room 24, Capitol Annex
Legislative Research Commission
Frankfort, Kentucky 40601

Dear Ms. Cantrell:

The following is in response to your letter dated September 24, requesting information on U.S. Army Jefferson Proving Ground and the potential economic impact of its closure.

1) Total procurements from Kentucky in 1989 and 1990:
1989 - $1.5 million
1990 - $1.5 million.

2) Total number of civilian personnel and estimated number affected by realignment: Jefferson Proving Ground (JPG) has a total of 442 employees; since this installation is slated for closure, all will be affected.

3) Total number of military personnel and estimated number affected by realignment: JPG has only three military officers assigned to the installation. All will be affected by the closure.

4) Number of these personnel residing in Kentucky and estimated number affected by realignment: JPG has 44 civilian employees who reside in Kentucky.

5) Average per person annual wages for military personnel: $49,000.00.

6) Average per person wages for civilian personnel: $32,000.00.

7) An occupation description and general categorization of civilian personnel: The installation's workforce consists of professional, administrative, technical and trades and crafts personnel. Representative occupations include engineers, electronics technicians, accountants and ADP professionals.

8) Estimated number of personnel retiring and relocating: Retiring - 125. Relocating - 75.

9) Time frame for proposed reductions ? The closure is scheduled to begin after October 1993 and is to be completed before October 1995.

If additional information is required, please contact the undersigned at (812) 273-7345.

Sincerely,

Gary Stegner

Gary D. Stegner
Public Affairs Officer

APPENDIX G

DEPARTMENT OF THE ARMY
INDIANA ARMY AMMUNITION PLANT
CHARLESTOWN, INDIANA 47111-9667

REPLY TO
ATTENTION OF

October 9, 1990

SMCIN-EN (200(A))

SUBJECT: Impacts of Reductions in Defense Spending on the Potential Economy of Kentucky

Ms. Donna Cantrell
Room. 24, Capitol Annex
Legislative Research Commission
Frankfort, Kentucky 40601

Dear Ms. Cantrell:

Reference your letter, September 24, 1990, subject as above.

Below is the information you requested to help you evaluate the economic impacts of the proposed realignment of operations at the Indiana Army Ammunition Plant. Numbers shown are approximate and for future years have been estimated.

Request #1 - Total procurements from Kentucky in 1989, and 1990, if available, by category (i.e., utilities, transportation, professional services, commissary and PX, and other), and an estimate of reduction in these purchases resulting from base realignment.

Response #1

Calendar Year	Procurements from Kentucky
1989	$25,354,431
1990	$13,748,000
1991	$12,000,000
1992	$ 9,000,000
1993	$ 4,000,000

Breakdown by category is not available.

Request #2 - Total number of civilian personnel and estimated number affected by realignment.

Response #2 (See Table Below)

Calendar Year	Employee Total as of Jan IN and KY	Employee Total as of Jan KY Only	Affected by Realignment IN and KY	Affected by Realignment KY Only
1989	1755	424	601	207
1990	1154	217	144	42
1991	1010	175	110	19
1992	900	156	730	128
1993	170	28	8	2

Request #3 - Total number of military personnel and estimated number affected by realignment.

Response #3 - Two military personnel. Probably no change through CY 93.

Request #4 - Number of these personnel residing in Kentucky and estimated number affected by realignment.

Response #4 - No military personnel live in Kentucky.

Request #5 - Average per person annual wages for military personnel.

Response #5 - No response since none live in Kentucky.

Request #6 - Average per person annual wages for civilian personnel.

Response #6 - See Table Below

General Categorization and Average Per Person Annual Wage for Kentucky Residents Affected by Realignment. Number of employees affected is shown in parenthesis.

YR	Exempt	Non-Exempt Non-Union	Non-Exempt Clerical	Technical	Production & Maintenance	Guards
80	$31,100(31)	28,800(4)	20,200(12)	21,000(28)	22,700(129)	18,900(3)
90	38,100(18)	25,900(1)	20,900(4)	21,700(3)	23,400(16)	19,500(0)
91	39,600(2)	26,900(1)	21,700(2)	22,600(2)	24,300(12)	20,200(0)
92	41,200(19)	28,000(3)	22,600(8)	23,500(17)	25,300(79)	20,800(0)
93	42,800(2)	29,100(0)	23,500(0)	24,400(0)	26,300(0)	21,500(0)

Request #7 - An occupation description and general categorization of civilian personnel.

Response #7 - See Response #6.

Request #8 - Estimate number of personnel retiring and relocating.

Response #8 - Estimated personnel retiring is 5.
Estimated personnel relocating is 10.

Request #9 - Can you supply a timeframe for these proposed reductions?

Response #9 - See response #2.

Should you or your staff have any questions, please contact the undersigned, (812) 284-7707, or Mr. Stuart Jenkins, General Engineer, (812) 284-7838.

Sincerely,

Joseph P. Eddy

Joseph P. Eddy
Captain, U.S. Army
Acting Commander

APPENDIX H

A RESOLUTION urging President Bush and the Congress to fund construction of the Porter River Road Bridge and other critical construction projects at the United States Army Armor Center and Fort Knox.

WHEREAS, the Department of Defense directed military services to streamline depot maintenance operations, consolidate functions, and reduce or relocate some installations;

WHEREAS, the United States Army is guided by a vision of its role in a rapidly changing international environment, shaping itself into a smaller, highly versatile and trained ready fighting force;

WHEREAS, Fort Knox is known as the "Home of Armor," celebrating fifty (50) years of proud service in its primary mission of training soldiers for the total Armored Force of the United States Army, including initial entry training, career development training and unit combat training.

WHEREAS, the Armor Center missions include concepts, training and equipment development enabling soldiers to mix high technology with hands-on training, from training on the M1A1 Abrams Battle Tank to using the most advanced computer simulation; and

WHEREAS, Fort Knox has excellent future mission potential as it is a multi-mission post, has no major environmental problems, utilizes simulation centers requiring less training space, has a productive work force, is centrally located and has a long history and lineage of the Armor Force.

NOW, THEREFORE,

Be it resolved by the Interim Joint Committee on Economic Development and Tourism of the Legislative Research Commission of the General Assembly of the Commonwealth of Kentucky:

Section 1. That since moneys have already been approved for the Physical Fitness Center, Porter River Road Bridge, Tank Driver Training Facility and Army Family Housing, Air Conditioning that the military construction freeze be lifted so these critical projects can be completed.

Section 2. That the Federal Fiscal year 1991 budget include moneys for the YANO - Multi-Purpose Range Complex and the Automated Field Five Range, which will enhance the cost efficiency and training capacities of Fort Knox.

Section 3. That the Federal Fiscal Year 1992 budget include a primary sewage treatment plant, to prevent environmental health violations; combat pistol range and energy monitoring control extension, to enhance base efficiency and training effectiveness.

Section 4. That a copy of this resolution be dispatched to the United States Army Armor Center and Fort Knox, the President of the United States, and Members of Kentucky's Congressional Delegation.

A RESOLUTION urging President Bush and the Congress not to close the Naval Ordnance Station, Louisville.

WHEREAS, U.S. Navy Secretary Garrett has forwarded to the Department of Defense Secretary Cheney his request that the Naval Ordnance Station, Louisville be taken off the list for base closure and consolidation;

WHEREAS, the environmental impact statement indicates that it will cost approximately $200 million to close the Ordnance, while gaining only a $1 million annual savings, revealing that it will take two hundred (200) years to make a break-even point on the payback for closing the Naval Ordnance Station, Louisville;

WHEREAS, the highly mechanized plant facilities contain the Navy's largest collection of numerically controlled machine tools, allowing a diversified and expanding workload at the Naval Ordnance Station, Louisville, and providing capacity for further growth with a minimal amount of additional capital outlay;

WHEREAS, as the Naval Ordnance Station, Louisville, operating as a Navy Industrial Activity on a competitive basis, is the fourth largest employer in the Louisville metropolitan area, receiving no direct federal appropriations other than for the twelve (12) military personnel stationed there; and,

Section 3. That a copy of this resolution be dispatched to the Naval Ordnance Station, Louisville, the President of the United States, Secretary Cheney and the members of Kentucky's Congressional Delegation.

WHEREAS, in the current Middle East crisis, as in any crisis concerning the United States Navy, any guns on the surface naval ships are either overhauled, or the engineering to support these weapons and repair support for all missile launching systems takes place at the Naval Ordnance Station, Louisville ;

WHEREAS, the Naval Ordnance Station, Louisville is one of the largest employers of engineering graduates in the Commonwealth, employing over four hundred (400) engineers and countless numbers of University of Louisville cooperative education program students; and

NOW, THEREFORE,

Be it resolved by the Interim Joint Committee on Economic Development and Tourism of the Legislative Research Commission of the General Assembly of the Commonwealth of Kentucky:

Section 1. That the Naval Ordnance Station, Louisville has been removed from the United States Navy list of installations to be closed or consolidated.

Section 2. That this body urges President Bush, the Department of Defense Secretary Cheney and the Congress to allow this highly reputable and efficient station to continue fulfilling its missions.

APPENDIX I

DEPARTMENT OF DEFENSE CUTBACKS IN KENTUCKY
SURVEY OF THE CABINET FOR ECONOMIC DEVELOPMENT

Please include, in your response, descriptions of what has been accomplished or is planned concerning the activities mentioned below.

Has the Cabinet for Economic Development and any of its programs been involved in the following activities:

1. Assessing the impact of Department of Defense cutbacks at military installations in Kentucky: Louisville Naval Oranance Plant

   Yes X ; No ____ ;
   If Yes, which programs/department? Division of Research and Planning prepared impact data - see attached summary.
   Contact person? Ron Morgan, Assistant Director
   (502) 564-4886

2. Assessing the impact of Department of Defense cutbacks on businesses with procurement contracts/subcontracts:

   Yes ____ ; No X ;
   If Yes, which programs/department? _____
   Contact person? _____

3. Targeting economic development funds, loans, grants or support services to businesses in or around military installations, as a means to mitigate the effects of cutbacks:

   Yes ____ ; No X ;
   If Yes, which areas have been targeted? _____
   If Yes, which programs/departments? _____
   Contact person? _____

4. Planning events specifically directed to businesses that will experience cuts in defense contracts or new businesses to hire an unemployed workforce due to defense cutbacks, (i.e. economic development training, educational seminars).

   Yes ____ ; No X ;
   If Yes, which programs/department? _____
   Contact person? _____

5. What activities should the Cabinet for Economic Development target toward these areas and businesses which will be suffering federal dollar and workforce losses over the next five years?

   Attempt to offset job losses by stimulating new business investment and jobs in the labor area affected. Use state appropriated funds for conversion of vacant defense facilities to industrial/commercial use.

APPENDIX J

DEPARTMENT OF DEFENSE CUTBACKS IN KENTUCKY
SURVEY OF THE CABINET FOR WORKFORCE DEVELOPMENT

Please include, in your response, descriptions of what has been accomplished or is planned concerning the activities mentioned below.

Has the Department for Employment Services and any of its programs been involved in the following activities:

1. Assessing the workforce impact of Department of Defense cutbacks at military installations in Kentucky (civilian and military):

   Yes X ; No ____ ;
   If Yes, which programs/department? Ft. Knox

   Contact person? Roye Wilson, (502) 769-2326
   Regional Executive Director

2. Assessing the impact of Department of Defense cutbacks on employment in businesses with procurement contracts/subcontracts:

   Yes X ; No ____ ;
   If Yes, which programs/department? AVON

   Contact person? Ted Nicholson (606) 252-3148
   KY TECH Industrial Training & Development Specialist

3. Targeting employment services, re-training opportunities or other support services to employees in or around military installations, as a means to mitigate the effects of cutbacks:

   Yes ____ ; No ____ ;
   If Yes, which areas have been targeted? See attached letter relating to AVON

   If Yes, which programs/departments? ____

   Contact person? Ted Nicholson (606) 252-3148

4. Planning events specifically directed to businesses or employees which will experience cuts in defense contracts or new businesses to hire an unemployed workforce due to defense cutbacks, (i.e. economic development training, educational seminars, school grants or loans).

   Yes X ; No ____ ;
   If Yes, which programs/department? Assessment, referral to training programs.

   Contact person? ____

5. What activities should the Cabinet for Workforce Development target toward these areas and businesses which will be suffering federal dollar and workforce losses over the next five years?

   We can customize programs specific to those being displaced.
   We can enroll in retraining programs.
   We are willing to set up off-site as well as school programs.

KENTUCKY TECH
Region 15

OCT - 8 1990
VOCATIONAL EDUCATION

MEMORANDUM

TO: Mrs. Audrey T. Carr, Deputy Commissioner for Technical Education

FROM: Ted F. Nicholson, Training and Development Specialist

DATE: October 5, 1990

SUBJECT: Training Conducted at Bluegrass Army Depot

The following information is provided regarding training conducted at the Lexington Bluegrass Army Depot.

I. Types of Training Conducted

Kentucky Tech--Region 15 has been providing customized on-site training at the Depot for approximately four years. Training has been primarily in computer software. Training has also been conducted in Welding, Heating and Air Conditioning, Blueprint Reading, CPR, Nutrition and Weight Control, and Prevention of Back Injury.

II. Has Training Been Related To Improving Employment Opportunities?

As indicated, training has been conducted primarily in computer software. Computer training has been provided in both the Unix Operating System and DOS. Training provided through the Unix Operating System has been unique to the Depot; thus only beneficial for upgrade training there. Training on the PC's has been in the use of multiple software system packages which will assist them with future employment.

III. Future Training

At this time, it appears that January, 1991, will be the earliest anyone might lose their job. Due to the uncertainity of training needs and exactly who might lose their jobs, training needs are uncertain.

I expect to resume training in January, 1991, in computer software (PC's) to assist in employment possibilities. In addition, we will be proposing part-time health programs such as L. P. N., Surgical Technician, and Medical Assistant. Training in the industrial area will be limited also to part-time, such as Electronics, Blueprint Reading, Mathematics, and Hand Tools. They will be able to transfer these skills into long-term programs at Kentucky Tech--Central Campus upon the loss of their jobs.

In summary, we have had an excellent working relationship with the staff of the Depot for the past four years and we are in close communication with them for future training needs.

TFN/bs

APPENDIX K

DEPARTMENT OF DEFENSE CUTBACKS IN KENTUCKY
SURVEY OF THE DEPARTMENT FOR EMPLOYMENT SERVICES

Please include, in your response, descriptions of what has been accomplished or is planned concerning the activities mentioned below.

Has the Department for Employment Services and any of its programs been involved in the following activities:

1. Assessing the workforce impact of Department of Defense cutbacks at military installations in Kentucky (civilian and military):

   Yes ____ ; No X ;
   If Yes, which programs/department? _____

   Contact person? _____

2. Assessing the impact of Department of Defense cutbacks on employment in businesses with procurement contracts/subcontracts:

   Yes ____ ; No X ;
   If Yes, which programs/department? _____

   Contact person? _____

3. Targeting employment services, re-training opportunities or other support services to employees in or around military installations, as a means to mitigate the effects of cutbacks:

   Yes X ; No ____ ;
   If Yes, which areas have been targeted? Ft. Knox and the Lexington-Bluegrass Army Depot at Lexington and Richmond
   If Yes, which programs/departments? JTPA Title III

   Contact person? Jane Smith 502/564-5360

4. Planning events specifically directed to businesses or employees which will experience cuts in defense contracts or new businesses to hire an unemployed workforce due to defense cutbacks, (i.e. economic development training, educational seminars, school grants or loans).

   Yes X ; No ____ ;
   If Yes, which programs/department? JTPA Title III

   Contact person? Jane Smith 502/564-5360

5. What activities should the Department for Employment Services target toward these areas and businesses which will be suffering federal dollar and workforce losses over the next five years?

   Coordinating programs with other agencies to avoid duplication of services. JTPA's Title III (Dislocated Worker) program should closely coordinate its activities with classroom training, on the job training, and support services providers.